Austria	[illegible]	Indonesia	[illegible]	Pakistan	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Poland	[illegible]
Cyprus	[illegible]	Italy	[illegible]	Portugal	[illegible]
Czech	[illegible]	Jordan	[illegible]	Qatar	[illegible]
Denmark	[illegible]	Korea	[illegible]	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Singapore	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Spain	[illegible]
France	[illegible]	Lux	[illegible]	Sweden	[illegible]
Germany	[illegible]	Morocco	[illegible]	Switz	[illegible]
Greece	[illegible]	Neth	[illegible]	Thailand	[illegible]
Hungary	[illegible]	Nigeria	[illegible]	Tunisia	[illegible]
Iceland	[illegible]	Norway	[illegible]	Turkey	[illegible]
India	[illegible]	Oman	OR1.20	UAE	[illegible]

EUROPE'S BUSINESS NEWSPAPER

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ENVIRONMENT

Mexico City fails to lift the smog

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World News

Gunmen fire on rally of Gamsakhurdia supporters

Gunmen loyal to Georgia's new military council opened fire on several thousand people rallying in support of ousted President Zviad Gamsakhurdia. Several people were believed to have been wounded.

The latest violence came as Georgian rebels seeking the extradition of Mr Gamsakhurdia were reported to be holding talks on his fate with Armenia, where he has taken refuge. Page 14

Russia's IMF bid

Russia applied for full membership of the International Monetary Fund and World Bank, the first step towards winning financial support for its transition to a free-market economy. Page 2

Talks over beef row

British and Russian officials met in Moscow to try to settle the row over Russia's reluctance to accept UK beef aid because of claims it could bring "mad cow" disease to Russia. Page 14

Gorbachev faces check

A Russian newspaper reported that former Soviet president Mikhail Gorbachev could face criminal investigation over KGB surveillance of his political opponents. Page 2

"Two-headed" policy

European social policy threatens to become "a two-headed monster", which could damage EC business, as a result of last month's Maastricht summit, Unice, the Europe-wide employers' organisation, said. Page 14

Marcos to seek office

Former Philippines first lady Imelda Marcos, driven into exile six years ago and now back in Manila fighting charges of corruption, said she would run for president and rebuild the nation. Page 4

Aids infects 500,000

Nearly half a million people are officially reported to have Aids, the World Health Organisation says, and up to 11m carry the HIV virus. Page 4

Nato invitation

Nato agreed to set up formal ties with former Soviet republics that are part of the new Commonwealth of Independent States by inviting them to join a new east-west "co-operation council".

Refugees kept from port

Albanian police set up road blocks around the Adriatic port of Durres to prevent a new wave of refugees from leaving the country for Italy.

Smog strikes Athens

Smog indicators exceeded emergency levels in Athens, forcing the government to ban most cars from the centre, cut industrial production and limit central heating.

Li Peng for Italy

Chinese premier Li Peng will visit Italy at the end of the month – his first western trip since ordering troops to crush pro-democracy demonstrations in 1989.

China expels MPs

Three Canadian MPs were expelled from China after meeting relatives of jailed Chinese dissidents. Page 4

Setback for Belgium

Mr Guy Spitaels, leader of Belgium's Socialists, is to become president of Wallonia, thus withdrawing from any role in assembling a new national government. Belgium has been without effective government since elections in November. Page 2

Hong Kong ivory haul

Hong Kong customs officers, cracking down on an illegal trade in ivory, seized 54 pieces of elephant tusk from Cameroon, worth US$128,000.

Business Summary

Sears Roebuck to axe 7,000 jobs in move to cut costs

Sears Roebuck, one of the largest US retailers, plans to shed around 7,000 jobs through a $60m investment in automated "customer service" facilities. The Chicago-based company, which saw retailing profits fall in the third quarter, said it hoped to achieve annual cost-savings of around $50m from this year. Page 15

FORD, second biggest US carmaker, is to export right-hand drive vehicles from the US to Japan and Britain for the first time since the early 1900s. A right-hand version of its Probe coupé will be built for export beginning in the autumn of 1993. Page 14

US TREASURY outlined corporate tax ideas that could eliminate the bias which drives companies to finance themselves through debt rather than equity. A study suggests reform could save the US economy up to $25bn a year by increasing corporate capital and cutting corporate debt ratios. Page 5

MEXICO'S finance and budget and planning ministries are to merge under Finance Minister Pedro Aspe in the biggest cabinet shake-up since President Carlos Salinas took office in December 1988.

BRAZIL'S economy ministry officials met President Fernando Collor De Mello to decide how to pay a 147 per cent pensions rise granted by the Supreme Court. The increase would cost the government an extra $8bn this year. Page 5

EUROPEAN CEMENT industry faces a battle over trading practices following the launch of a European Commission probe into alleged illegal cartels operated in the 1980s. Page 2

UNION INTERNATIONAL, troubled subsidiary of the Vestey Group, one of Britain's biggest private companies, has appointed Terry Robinson, 47, as chief executive and a director. He was formerly a director of international trading group Lonrho. Page 21

ELF ATOCHEM, chemicals subsidiary of French oil group Elf Aquitaine, is considering a worldwide joint venture in high performance plastics with Rohm and Haas, the US maker of Plexiglas. Page 16

CHRYSLER: Financial problems facing the smallest of the big three US motor groups were underlined by the decision of credit rating agency Standard & Poor's to lower its debt rating. Over half Chrysler's $16bn of outstanding debt is due for repayment over the next two years. Page 21

PARAMOUNT Communications, US entertainment and publishing company, reported a 52.8 per cent drop in earnings last year. Fourth quarter 1991 profits were 24.6 per cent lower at $83.3m, with full year net income of $122.2m against $259.1m in 1990. Page 20

SEMATECH, US chipmaking consortium set up about five years ago to take on Japanese competition, has lost a founding member company with LSI Logic's decision to withdraw because of policy disagreements. Page 20

BRITISH AEROSPACE and other companies belonging to an international consortium have completed the $500m financing to set up Orion, an international private satellite system to rival those owned by the world's telephone companies. Page 15

US drugs industry branded proposals for concluding the Gatt Uruguay Round talks "an enormous break for the biggest pirates in the world". It said the 10-year grace period on intellectual property rights for developing countries was unacceptable. Page 3; EC hardens farm trade line, Page 14

Yugoslav army admits killing EC monitors

By **Judy Dempsey** in Belgrade and Our Foreign Staff

YUGOSLAVIA'S federal army last night admitted that it had shot down a European Community helicopter, killing five peace monitors – four Italian soldiers and a French officer.

EC officials roundly condemned the accident but said international efforts to end the fighting would be stepped up.

In a short, but unusually frank statement issued through Tanjug, the Belgrade-based newsagency, the defence ministry said one of their aircraft had shot down an EC monitoring mission and damaged a second one.

The federal secretariat of national defence expressed "deep regret" over "an unwanted and tragic event". It said it would carry out an urgent inquiry, keep the public informed and take legal measures against those responsible for the accident.

In a further move last night, the Serb-dominated rump Yugoslav presidency suspended Colonel Zvonko Jurjevic, commander of the air force. Western diplomats said his suspension might be an attempt to bring the armed forces under political control, while reassuring the European Community and the UN that moderate wings of the federal army were committed to the peace process.

Diplomats said they were suprised by the statement of admission. "The fact that the army admitted to it, that it released the statement quickly, and promised a full inquiry, makes me cautiously optimistic that the peace process can continue," one said.

Previous public statements by the army have tended sharply to criticise independence moves by the republics of Slovenia and Croatia, which are expecting recognition by most EC countries on January 15.

The accident happened early yesterday as EC officials and monitors were being flown from Belgrade, the Serbian and federal capital, via Hungary, to Zagreb, the Croatian capital.

The motorway linking both capitals has been cut off since July when fighting between the federal army, Serb nationalists and Croatia's national guard intensified in Croatia.

Belgrade television last night showed pictures of the helicopter, painted white and bearing the imprint of the EC blue flag and golden stars, in pieces in a field, with three bodies. Two bodies wore the white uniforms of EC monitors.

Italy asked for an immediate meeting of EC foreign ministers on Yugoslavia. Britain and Portugal said that the incident would not be allowed to damage the chances of peace. Portugal has recently taken over the rotating presidency of the EC.

Mr Douglas Hurd, the UK foreign secretary, said: "These

Continued on Page 14

Bush determined to open up markets for US goods and services

Japan promises to boost US imports

By **Stefan Wagstyl** in Tokyo

JAPAN yesterday greeted US president George Bush's call for freer access to Japanese markets with a series of conciliatory announcements promising to boost imports and support sales efforts of US companies.

The statements, from Japanese government and industry, came at the start of Mr Bush's first official visit to the country.

The president's agenda includes talks on global and regional issues, but the overriding item will be the imbalance in bilateral economic ties. Mr Bush, with one eye on the US recession and his looming domestic election campaign, will demand substantial concessions at summit meetings today and tomorrow with Mr Kiichi Miyazawa, Japan's prime minister.

Japan's conciliatory moves came in the form of a package of economic measures from the Ministry of International Trade and Industry (Miti). The ministry estimated that import-boosting proposals announced by 23 top Japanese groups could result in an increase in Japanese imports of $10.2bn by 1993 compared with 1990.The companies have promised to increase imports and local procurement for foreign factories by 50 to 100 per cent over that period.

Miti also promised greatly to expand a scheme begun last May in which Japan gives export credit insurance for projects in developing countries involving the purchase of US goods. The ministry, which has so far committed $700m to the scheme, yesterday pledged an extra $5bn over "the next several years".

Among the president's contingent are Mr Robert Mosbacher, commerce secretary, and around 20 top US executives. Mr Nicholas Brady, the treasury secretary, unexpectedly joined the party yesterday, a measure of US concern about the economic content of the visit.

Mr Brady met Mr Tsutomu Hata, the Japanese finance minister. The two are believed to have discussed the co-ordination of macro-economic policy, including recent cuts in interest rates and the yen's appreciation against the dollar to its highest level for three years.

Mr Bush's itinerary included a sightseeing trip to the ancient capital of Kyoto, the official opening of a US retail store – Toys 'R' Us – and a meeting with students at which he repeated his determination to increase access to Japanese markets for US goods and services.

Mr Mosbacher was formally presented with Miti's economic proposals, which included a restatement of plans announced late last year to provide Japanese importers with tax credits and other incentives.

However, Mr Noboru Hatakeyama, vice-minister for international affairs, said there were limits to what the government could do, since Japan operated as a market economy.

Yesterday's proposals contained no specific mention of the automotive industry, the sector propelled to the top of Mr Bush's agenda after the recent spate of redundancies among US carworkers. Officials were still negotiating last night on US demands for Japan to increase purchases of American cars and parts.

Japanese carmakers have recently promised to buy more foreign parts. Nissan announced yesterday it would stock Ford vehicles; Honda, Mazda and Mitsubishi Motors have struck similar deals.

US officials want to ensure that such proposals have a real impact. Nissan's plan to sell Fords envisages handling just 3,000 vehicles a year. This comes against a background which saw the US importing 1.58m Japanese-made cars in the first 11 months of 1991, compared with only 28,000 sold to Japan. Of these, 13,000 were shipped from Honda's US plants.

Heat off rice imports, Page 4
Editorial Comment, Page 12
Right-hand drive cars, Page 14

The European Community yesterday appeared to be hardening its position on the farm subsidies row threatening to sink the Uruguay Round world trade talks. The EC has told the US there can be no agreement on farm trade within the General Agreement on Tariffs and Trade talks unless direct payments to farmers for planned EC subsidy cuts are permitted. Page 3

George Bush kicks off a traditional Japanese game of Kemari at the Imperial Palace in Kyoto, Japan yesterday under the expert gaze of costumed players and officials

PLO backs resumption of Middle East talks

By **Judy Maltz** in Jerusalem and Our Middle East Staff

THE Palestine Liberation Organisation will give the go-ahead for the resumption of Middle East peace talks in Washington later this week, it said yesterday, following a final round of consultations with its Arab allies.

The Palestinians, Syria, Jordan and Lebanon had suspended their departure for Washington in protest at Israel's decision to expel 12 Palestinians from the occupied territories, an action that was unanimously condemned by the UN Security Council on Monday night.

The other Arab delegations said last night they would leave for Washington in two days. Israel's delegation has been in Washington since Monday.

Mr Ahmed Abderrahman, the PLO spokesman, said in Tunis: "The security council has saved the peace process, and we can only express our appreciation of its efforts and those of all the countries which contributed [to the decision]."

The UN resolution condemning Israel's plans to expel 12 Palestinians drew harsh criticism in Jerusalem where officials termed the vote one-sided and unjust.

Israel said it was set to go ahead with the expulsion plans, in spite of the worldwide condemnation.

Mr Moshe Arens, the defence minister, had announced the expulsions last week following the murder of a Jewish settler in the occupied territories, the fourth to be killed there since Middle East peace talks opened in Madrid at the end of October.

Mr Ehud Gol, spokesman for

Continued on Page 14

Air France takes stake in Czechoslovakian airline

By **Daniel Green** in London

AIR FRANCE is leading a *consortium that will pay $60m* for a 40 per cent stake in Ceskeslovenske Aerolinie (CSA), the Czechoslovakian state airline. The deal, which values CSA at $150m, is the first in which a western airline becomes a shareholder in an existing carrier from eastern Europe.

It is also likely to be one of the biggest investments yet for the London-based European Bank for Reconstruction and Development (EBRD), which is in the Air France consortium. It and Caisse des Depots et Consignation, a French financial institution which is also a shareholder in Air France, are each contributing $20m in cash to the consortium, according to Air France.

The EBRD said yesterday that its board would finalise the level of investment within eight weeks.

The two airlines signed a memorandum of understanding in Prague on Monday. The deal is subject to approval from French and Czechoslovak governments. Air France hopes *that this will be given "by* spring".

Air France's investment represents a partial privatisation of CSA. The remaining 60 per cent of the company will be held by the Czechoslovak state and Czechoslovak financial institutions.

Air France said: "We were looking for a partner in eastern Europe. Prague is geographically located right in the centre."

"This alliance represents an excellent platform for CSA's future development as an airline based in the heart of Europe and for Prague as a major hub," said Mr Oldrich Churain, CSA director-general.

Of the $60m being paid for the CSA stake, Air France is paying about $6m in cash. It is providing about $14m in payment in kind through expertise in engineering, maintenance and catering. Air France will train Czechoslovak pilots to fly Airbuses.

The transfer of expertise will allow flight schedules to be co-ordinated quickly, said Air France.

CSA is Czechoslovakia's 93rd biggest company: "Turnover in 1990 was $180m" said Mr Gordon McKechnie of merchant bank J.P. Morgan, which advised CSA in the transaction. "It has been profitable for many years.

The carrier has 29 aircraft, all but two of which were built in the Soviet Union. Last year it acquired two Airbus A-310s.

The Franco-Czechoslovak deal comes less than a month after Thomson-CSF, the French state-owned electronics company, and Omnipol, a Czechoslovak foreign trade organisation, signed a contract worth $15m for the delivery of radar navigational systems for Prague and Bratislava airports.

Prague plans to double the capacity of its airport to 5m passengers a year. Bouygues of France, Armbro Enterprises of Canada and Hochtief of Germany are competing for the construction contracts.

Observer, Page 12

CONTENTS

Cautious optimism on Pakistan privatisation programme

Pakistan's programme of privatisation, which is being seen as a key test of the policies of Nawaz Sharif, the prime minister, reaches a key stage this month with the sale of 44 factories

Page 4

MARKETS

STERLING
New York: $1.88675 (1.8825)
London: $1.8725 (1.877)
DM2.845 (2.85)
FFr9.7175 (9.7275)
SFr2.5275 (2.53)
Y232.75 (same)
£ index 91.5 (91.6)

GOLD
New York Comex Feb $350.5 (350.3)
London: $349.65 (348.55)

N SEA OIL (Argus)
Brent 15-day $18.175 (18.20)

Chief price changes yesterday: Page 15

DOLLAR
New York:
DM1.5065 (1.516)
FFr5.1435 (5.1745)
SFr1.339 (1.3435)
Y123.9 (123.35)
London:
DM1.5195 (1.519)
FFr5.19 (5.1825)
SFr1.35 (1.3485)
Y124.35 (124.05)
$ index 60.3 (60.6)
Tokyo close: Y123.0

US RATES
Fed Funds: 2% ($3\frac{1}{2}$)
3-mo Treasury Bills: 3.839% (3.889)
Long Bond: $107\frac{1}{4}$ ($106\frac{31}{32}$)
yield: 7.388% (7.435)

STOCK INDICES
FT-SE 100: 2,482.9 (−10.3)
FT-A All-Share: 1,185.20 (-0.4%)
FT-SE Eurotrack 100: 1,086.06 (−5.99)
FT-A World Index: 153.88 (-0.5)
New York: DJ Ind. Av. 3,204.83 (+4.7)
S&P Comp 417.4 (−0.59)
Tokyo: Nikkei 23,566.39 (−234.79)

LONDON MONEY
3-month interbank: $10\frac{3}{4}$% ($10\frac{13}{16}$)
Liffe long gilt future: Mar $97\frac{15}{32}$ (Mar $97\frac{1}{16}$)

EUROPEAN NEWS

Anti-peace forces strike a blow in Yugoslavia

Some elements want both EC and UN out of the country, writes Judy Dempsey

THE SHOOTING down of a European Community helicopter north of Zagreb, the capital of Croatia, yesterday comes at a crucial juncture in peace negotiations involving the United Nations and the EC.

The tragedy appears to be in the interests of no one side in the conflict. But a western diplomat said: "Some forces simply do not want the peace process to succeed."

Diplomats said the timetable for the negotiations could be jeopardised by the incident unless all sides – Croat, Serb and federal army – insisted that the peace process continue even in the face of violent defiance by uncontrolled elements.

Croatia wants a ceasefire and UN forces in order to speed up recognition of its independence. It also needs stability to cope with half a million refugees and to rebuild its war-torn economy and infrastructure.

The Serbian government wants a ceasefire because an anti-war movement is growing in the republic, along with shortages of raw materials, and it fears that it will be isolated by the international community.

Sections of the army, which remains out of political or constitutional control, want a ceasefire because they know that if the war spreads, they will not be able to consolidate their gains.

However, according to western military attachés, hardline army nationalists who oppose Croatia's independence, and who support Serb nationalist rebels inside Croatia, appear determined to fight on.

Today, Mr Slobodan Milosevic, the president of Serbia, is due to hold talks with Mr Milan Babic, head of Serbs in the self-proclaimed republic of Krajina in southern Croatia.

Mr Babic, and other hardline Serb nationalist leaders in eastern Slavonia, east of Croatia, recently defied the Serbian leader's acceptance of the latest UN-sponsored ceasefire and the deployment of UN troops. They said they would refuse to disarm, or allow UN troops be deployed in these Serb-inhabited regions.

By challenging Mr Milosevic, Serb rebels in Croatia appear to be acting independently of Belgrade and increasing the possibility of a formal split.

In Bosnia-Hercegovina, the authority of Mr Radovan Karadzic, head of the republic's Serbs who has close contacts with Mr Milosevic, is also being undermined by nationalist Serbs.

These Bosnian Serbs are threatening to support the rebel Serbs in Krajina by declaring their own republic, and defying any ceasefire. As unity among Serbs weakens, a formal split among Serbs in these three republics could not only scupper the peace process but also lead to a spread of the fighting to the ethnically-mixed republic of Bosnia.

Western diplomats said radical factions in the federal army could end up supporting nationalist Serbs in Croatia, and in Banja Luka, northern Bosnia.

"Yesterday's tragic incident could well play into the hands of the Serb nationalists, who, unlike many Serbs in Serbia, do not want an end to the fighting until they have their own separate republics," one said.

The issue of recognition of four of the six Yugoslav republics is one of the items under discussion tomorrow when the EC-sponsored peace conference on Yugoslavia is scheduled to reconvene in Brussels. On January 15, EC countries will decide on recognising the republics of Slovenia, Croatia, Macedonia, and Bosnia-Hercegovina.

Said a western diplomat: "Some forces simply want the UN and EC to forget about recognition, and get out of Yugoslavia. All sides in the conflict should defy these people."

Möllemann urges change in German recovery plan

By Christopher Parkes in Bonn

MR Jürgen Möllemann, German economics minister, yesterday proposed a radical overhaul of the state-funded *Aufschwung Ost* economic recovery programme for the country's five new states.

He called for changes in the law to break the log-jam of claims to land and property from people dispossessed following the setting up of the former GDR in 1949, and demanded an extra DM2bn ($1.2bn) immediately for investment incentives to encourage entrepreneurs.

He proposed that the duration of state-aided job creation schemes should be cut from a year to six months, and called for improved export credit guarantees for companies hit by the collapse of their traditional markets in east Europe.

He also suggested the two-year DM24bn Aufschwung Ost project – mainly devoted to rebuilding town centres, hospitals, schools and roads, and due to end in December – should be extended for 12 months and boosted with a further DM12bn government grant.

Mr Möllemann, who plans to present his scheme to the cabinet soon, came under attack immediately from Mr Norbert Blüm, labour minister, and Mr Manfred Carstens, state secretary in the Finance Ministry.

Aufschwung Ost, the economics minister's brainchild, is one of the most unpopular measures adopted since unification in October 1990. It is being funded by a special 7.5 per cent income tax "solidarity surcharge", and increased duties on cigarettes, gas, oil and petrol.

Mr Blüm rejected changes to the state-subsidised job creation scheme, which protects more than 350,000 easterners from unemployment. Many are involved in community projects or clearing up the environmental damage caused during communist rule.

Mr Carstens said that with growth in the region expected to reach 10 per cent this year, the programme had already fulfilled its purpose.

Wrangles over property ownership are among the greatest obstacles to new investment, especially from outside Germany.

Mr Möllemann said yesterday he wanted hearings to be limited to two weeks, with no right of appeal for claimants. Investors should also be offered subsidies to help meet legal obligations to bear the costs of bringing any land or buildings they purchased up to statutory environmental levels.

● German industrial production rose 1.2 per cent in November, due mainly to a 1.5 per cent increase in the manufacturing sector and rises of 4 to 5 per cent in output from the gas and electricity industries.

However, underlying difficulties showed up in continued weaknesses in plant and engineering companies' order books.

VDMA, the industry trade association, said orders for new equipment in November were 5 per cent lower in real terms than in the same month in 1990.

Russia applies for full IMF membership

By Lionel Barber in Washington

RUSSIA yesterday applied for full membership of the International Monetary Fund and World Bank, the first step towards winning financial support for its transition to a free-market economy.

This follows President Boris Yeltsin's historic order last week scrapping price controls in the former Soviet republic.

The US and other western allies have declared they will support Fund and Bank membership for Russia and other reformist Soviet republics, allowing them access to billions of dollars of development loans once they adopt an IMF prescribed reform programme.

Until recently, western countries, notably the US, had vigorously opposed full IMF membership on the grounds that the Soviet leadership was not prepared to embrace serious economic reform. The Bush administration now recognises that the IMF is best placed to assume the burden of direct financial aid and offering expert advice.

Russia's application came amid accelerating US moves to prepare for an international conference in Washington this month to co-ordinate food and medical aid for the former Soviet republics.

Up to 60 countries could attend the conference on January 22 and 23, the State Department said. The meeting will be held at foreign minister level and will involve international financial institutions, including the IMF, World Bank and European Bank for Reconstruction and Development.

Ms Margaret Tutwiler, the State Department chief spokeswoman, said the aim would be to organise a division of labour to meet "immediate and drastically increasing humanitarian needs".

US officials said yesterday the conference would not involve the administration seeking individual pledges of money from donor nations. Although the focus would be on food aid, the role of the IMF in assisting reform in Russia, Ukraine and other reform-minded republics was expected to be on the agenda.

Russia is likely to have to wait at least six months for its request to be processed, along with an earlier one from Ukraine and Azerbaijan's yesterday. One reason is the lack of adequate economic data.

Economic performance is the main gauge for calculating a member's "quota", which determines a member's capital in the Fund and the amount it is allowed to withdraw.

A further complication, however, concerns Washington's commitment to support a quota increase for the Fund. This would be part of a $60bn increase in the institution's capital base to meet increased borrowing requirements.

Enabling legislation remains entangled in a foreign aid bill in Congress. This bill also includes an Israeli request for up to $10bn in housing loan guarantees which the administration successfully delayed for 120 days last year, and which will shortly become due for consideration.

● The United Nations Security Council looks set to meet on January 30 to discuss the break-up of the Soviet Union and the role of the UN in the post-Cold War era.

The meeting, proposed by the UK and supported by the US and France, is partly intended to allay western concerns about command and control of nuclear weapons and the risks of nuclear proliferation.

A broader aim, however, is to reinforce the authority of Mr Boutros Ghali, the new UN secretary-general.

Germany and Russia signed an agreement yesterday to allow up to 11,000 Russian contract workers to find jobs on the German labour market every year, as well as offering training for a further 2,000 young labourers and apprentices, writes Quentin Peel in Bonn. At the same time Germany has agreed to provide advice and training in a range of areas, including labour relations and labour law, employee involvement in management, and social security.

A wounded man is carried away after gunmen opened fire on Gamsakhurdia supporters in Tbilisi yesterday

Violence marks Russian Christmas

By Leyla Boulton in Moscow

VIOLENCE prompted by soaring food prices and fresh rumblings in the armed forces marked the first Russian Orthodox celebration yesterday of Christmas as an official holiday since the Bolshevik Revolution.

Tass news agency said people in the southern town of Stavropol smashed shop windows in anger at the explosion of prices triggered by the abrupt end of seven decades of price controls last week. Shops in the agricultural centre best known as the birthplace of Mr Mikhail Gorbachev were forced to reduce their newly-liberated prices for meat and sausage.

In Ukraine, the deputy chief of the Black Sea Fleet said the 300-ship force could not go along with an oath of allegiance demanded by the Ukrainian government. Admiral Ivan Kapitanets explained the fleet was part of the strategic forces which are supposed to remain under the unified command of the Commonwealth of Independent States.

President Leonid Kravchuk, the Ukrainian president, has given servicemen until January 20 to decide whether to take the oath or to go back to Russia. A first batch of 850 recalcitrants is due to be repatriated this week. But the Russian leadership, already unhappy about Ukraine's haste in dividing up the armed forces, has served notice that it will resist attempts to take over the Black Sea Fleet.

Two conservative newspapers, Krasnaya Zvezda, the armed forces daily, and Sovietskaya Rossiya, published angry officers' letters and hostile editorials expressing concern at the break-up of the Red Army.

Republican representatives today meet in Moscow to tackle military issues at expert level.

But food remains the main issue. Protests in the ancient town of Vladimir forced authorities to intervene to lower the still-controlled price of milk from Rbs6 to Rbs1.20, while a complaint by young mothers prompted similar action by the regional government council in Nizhny Novgorod. (The Russian government has devolved responsibility for remaining price controls to local authorities).

Elsewhere there were signs of a voluntary lowering of prices by shops after food was left on shelves. With free prices a new concept, it will take time to find the right price levels to clear stocks.

NATO yesterday agreed to establish formal links with the newly independent republics of the former Soviet Union by inviting them to join the east-west North Atlantic Co-operation Council set up in Brussels last month, writes Robert Mauthner, Diplomatic Editor.

Ex-mayor admits rigging vote in Dresden

By Leslie Colitt in Berlin

MR Wolfgang Berghofer, former mayor of Dresden, admitted in court yesterday that he had falsified the results of the city's elections in May 1989 but claimed he had been acting on direct orders from his superiors, one of whom was to become the last communist prime minister of East Germany.

Mr Berghofer accused Mr Hans Modrow, the then Communist party leader of Dresden district, of responsibility for the vote rigging, along with Mr Werner Moke, the first secretary of the party in Dresden who is also on trial.

Mr Modrow, who later became the last Communist premier of East Germany, is now a member of parliament in Bonn for the Democratic Socialist Party (PDS) and is to be called as a witness. The Dresden public prosecutor has launched a separate investigation into allegations of election rigging by Mr Modrow.

The trial is seen by justice officials as a test case in assigning responsibility for the widespread manipulation of results in East Germany's local elections on May 7 1989.

The Communists officially reported that only 2.5 per cent of ballots cast were against the party instead of an actual 12 per cent, while 98 per cent of eligible voters were said to have voted instead of 90 per cent.

Mr Otto Schily, defending Mr Berghofer, argued in court that since East German elections were by their very nature undemocratic, his client could not be accused of "falsifying what was false".

Previous trials of officials accused of altering returns in other elections have ended in light sentences.

Brussels takes aim at cement industry

By Andrew Baxter

EUROPE'S cement industry is facing a long battle over its trading practices with the launch of a European Commission inquiry into alleged illegal cartels operated in the 1980s.

Brussels has written to 76 European cement producers and organisations claiming breaches of competition law.

The industry is likely to contest the issue fiercely. Mr Ian McKenzie, chief executive of Blue Circle Cement, said the investigation was based on "entirely circumstantial evidence" applying to what Brussels believed had been happening in the 1980s.

European cement-makers meet regularly within Cembureau to discuss issues surrounding the use of cement and concrete. Said Mr McKenzie: "The EC are saying that people who met for perfectly legitimate matters were doing things of which they disapprove."

The investigation has particularly incensed the British industry, which operated a legally-approved "common price and marketing agreement" until the system was abandoned voluntarily in February 1987. British companies had advised the EC in 1973 that the system, designed to protect cement supplies and hold up prices, was in operation. "It has taken them 18 years to come back and say they don't like it," said Mr McKenzie.

The British Cement Association said yesterday that current interest revolved around whether the EC could contest an agreement that had been registered with the UK Restrictive Practices Court since the second world war, had been approved by the government, and had been a matter of history for five years.

Setback for Belgian unity hopes

A POLITICAL crisis which has left Belgium without effective government since elections last November has taken a fresh turn that could make it even harder to build a new coalition, Reuter reports from Brussels.

Mr Guy Spitaels, president of the French-speaking Socialists, has agreed to become president of Wallonia, the French-speaking southern half of Belgium, effectively withdrawing from any role in assembling a new national government.

Mr Spitaels' power base is in Wallonia and he is widely disliked in Dutch-speaking Flanders.

The move is likely to exacerbate tensions between Belgium's two main regions, which argue constantly about budgets and other issues.

The two regional governments are of key importance as they have wide-ranging powers under a programme of devolution pushed through in recent years.

The Dutch-language daily newspaper De Standaard said in an editorial yesterday: "The chances of building a stable national government are small."

The previous coalition of Christian Democrats and Socialists, which collapsed in October, has stayed on as a caretaker government. Prime Minister Wilfried Martens is Europe's longest serving premier but his political future is uncertain as his Flemish Christian Democrats (CVP) suffered a setback in the November poll.

Fabius set to become French Socialist party chief

By Ian Davidson in Paris

MR LAURENT FABIUS, speaker of the French national assembly and former prime minister, is expected to be elected to succeed Mr Pierre Mauroy as the Socialist party's first secretary when its governing committee meets tomorrow. Mr Mauroy resigned yesterday

He has won the appointment largely because of the decisive support of Mr Michel Rocard, also a former prime minister and leader of the third largest faction in the party. Between them, the two men command the support of more than half the votes in the 131-strong governing committee.

The deal, hammered out by party barons, significantly strengthens Mr Rocard's chances of selection as the Socialist candidate in the next presidential election, due in 1995.

Mr Mauroy, in his resignation announcement yesterday, described Mr Rocard as "the virtual candidate" of the party.

The one faction which appears least satisfied, because it has secured least from the intra-party negotiations, is the traditional main-line group led by Mr Lionel Jospin, education minister. Last-minute horse-trading is thus possible before the vote on Mr Mauroy's successor at tomorrow's committee meeting.

As the ostensible price for his support, Mr Rocard has called on Mr Fabius to end the war between the party factions, and for a collegial and proportional sharing of party jobs in the departmental federations.

The irony is that it is Mr Fabius who did most to stimulate the faction war.

He made two previous attempts to seize the party leadership, in 1988 and in 1990, with the moral backing of President François Mitterrand. Both of failed, but they deepened the party's traditional splits and contributed to its sagging public reputation.

In addition, Mr Rocard has called on Mr Fabius to resist any move (by President Mitterrand) to reintroduce a large element of proportional representation in next year's general election.

OECD report praises federal government for overcoming political handicaps

Regional division 'impeding Czechoslovak reform'

SUBSTANTIAL economic costs have been incurred and Czechoslovakia's structural reform delayed by a failure to define the post-communist constitutional relationship between the Czech and Slovak parts of the country, the Organisation for Economic Co-operation and Development (OECD) warns in its first economic survey of the federal republic, writes Anthony Robinson, East Europe Editor.

However, "a great deal has been accomplished in a short time" despite this political handicap, the report says. Achievements include the liberalisation of prices and foreign trade, a sharp reduction in subsidies, and the creation of "key elements" of a legal basis for private-sector development.

The Paris-based think-tank also points to the groundwork laid down for an ambitious privatisation process through vouchers offered to all citizens to buy shares at a discount.

Czechoslovakia embarked on its reform process from a far less promising base than Hungary and Poland, which were able to build on substantive earlier reforms begun under former communist governments, the report notes.

The orthodox socialist policies followed after the Soviet invasion of 1968 ensured the starting point for market reforms after the "velvet revolution" of November 1989 was "an economy almost completely dominated by central planning, with little experience of markets and almost no legal and institutional base for a market economy".

However, the conservatism of the former rulers left Czechoslovakia with a lower foreign debt, lower inflation and lower government debt than either Poland or Hungary. It also gave the newly democratic state a more solid macroeconomic base than its central European neighbours.

Against this background the reform strategy of the government is "clearly appropriate", the report says.

It defines the policy as "liberalisation to create opportunities, tight macro-economic policies to sustain stability and privatisation to transform the fundamental structural conditions for economic activity".

One of the notable achievements of the first phase of reform has been "the preservation of macro-economic stability in the face of liberalisation". A key contribution to stability has been "the apparent willingness of the population to accept one-time substantial declines in real wages". The combination of wage restraint with tight budget and monetary policies in 1991 has yielded benefits.

"By not allowing the price surge associated with liberalisation to become embedded in an inflationary spiral, the authorities have avoided the intractable economic management problems that arise in high inflation situations."

Under the government's attack on the old planning system the percentage of gross domestic product under regulated prices fell from 85 per cent in 1990 to 5-6 per cent by October 1991. As a result prices rose 49.2 per cent over the first six months of last year but stabilised during the summer and rose by no more than 5 per cent from June to the end of the year.

Planned increases in house rents will put unavoidable pressure on the consumer price index in 1992, the report says. But "it should be possible to keep inflation in single digits".

However, this will partly depend on workers who are expected to try to recoup part of last year's fall in incomes. Real wages fell 27 per cent over the first half of 1991, when personal consumption fell 37 per cent. GDP fell 9.2 per cent in the period and net material product (GDP less services) declined 13.8 per cent.

The OECD survey points to the problems presented by poor statistics and the need to concentrate western technical assistance on improving this service. Official figures probably over-estimate the decline in output by not recording growth in the private sector.

The organisation estimates the number of private entrepreneurs rose from 86,000 in 1989 to 921,000 in August 1991, when the private sector accounted for only 1.2 per cent of industrial production but 13 per cent of domestic trade and 5-6 per cent of construction.

The survey notes that the government's small-scale privatisation plans got off to a quick start, while plans for large-scale privatisation are "on track".

Voucher books have been distributed, company lists published and the physical infrastructure for the bidding process is in place.

"There can be little doubt that the strategy of privatising quickly is basically sound." But success, the survey cautions, "will be determined by three factors – administrative feasibility, effective monitoring and establishment of the rules of the market game".

> 'There can be little doubt that the strategy of privatising quickly is basically sound'

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WORLD TRADE NEWS

Tough EC line raises new fears for Gatt Round

By David Gardner in Brussels

THE European Community yesterday appeared to be hardening its position on the farm subsidies row, threatening to sink the Uruguay Round world trade talks, as EC-US bilateral talks failed to resolve the impasse.

The EC has reiterated to the US that there can be no agreement on farm trade within the General Agreement on Tariffs and Trade (Gatt) talks unless the direct payments to farmers for the Community's planned subsidy cuts are put in the Gatt "green box".

This is for subventions allowable under Gatt rules because they do not distort trade, and would allow Brussels to make the deep cuts in its farm price support system through which it could meet the Uruguay Round targets for dismantling subsidies.

When the US and EC failed to agree on farm subsidies just before Christmas, Mr Arthur Dunkel, Gatt director-general, surprised Brussels by writing *into the "final act" of the Uruguay Round* that the EC's compensation payments would not qualify for the "green box".

"It is now in the hands of Dunkel to redraft the proposal. Nothing can happen bilaterally (with the US) until he moves," a Commission official said yesterday.

The Commission insists that the payments, which like any subsidy cannot be "totally decoupled" from production as Gatt insists, are nevertheless designed to restrain both production and subsidised exports.

"The Dunkel paper was therefore asking us to crucify our farmers for absolutely no benefit at all to the world market for farm produce," an official stressed.

On December 23, the Twelve told Mr Dunkel his proposal was "not acceptable and therefore has to be modified". Foreign, trade and agriculture ministers of the Twelve meet on Friday and Saturday to agree a formal position before *the 108 countries involved in* the Uruguay Round respond to the Dunkel proposals on Monday in Geneva.

Mr Ray MacSharry, EC agriculture commissioner, on Monday told Mr Ed Madigan, US agriculture secretary, that the EC "position was likely to strengthen rather than weaken," a Commission official said.

Senior officials say that the Gatt impasse could jeopardise political progress in persuading the Twelve to reform radically the Common Agricultural Policy, the engine for escalating farm subsidies.

Mr Frans Andriessen, EC external affairs commissioner, was yesterday meeting Mrs Carla Hills, US special trade representative, in Washington, in a further attempt to generate movement on the trade talks.

US farmers, page 30

Mr Douglas Hurd, UK foreign secretary, yesterday stressed the need for compromise to end the Gatt negotiations successfully, Patrick Blum reports from Lisbon. After a one-day visit to Lisbon to discuss the priorities of the Portuguese EC presidency, he said agriculture was a "particularly difficult issue for Europe", but that a successful outcome to the talks "must involve compromise.

"We are realists, we know the difficulties, but we also know the dangers for world trade, therefore for the world economy if these negotiations are allowed to drag on indefinitely," he declared. He was encouraged by the determination the Portuguese presidency was showing in keeping these matters at the top of the agenda.

Australia backs Gatt compromise package

AUSTRALIA's Labor government yesterday approved the compromise package proposed by Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt) to bring the Uruguay Round to an end, Kevin Brown reports from Sydney.

Mr John Kerin, Australian trade minister, said the cabinet had accepted his recommendation that the package provided an acceptable basis for concluding the Round.

Mr Kerin said the package fell short of the demands for liberalisation of agricultural trade put forward by the Cairns Group of 14 agricultural exporting nations, which is chaired by Australia. But he said it contained "elements of a positive nature," including provisions for an agreement on trade in services, and protection for intellectual property rights.

The Dunkel package was designed to break a deadlock on agricultural trade between the European Community (EC) and the US, which was broadly supported by the Cairns Group. The Cairns group sought cuts of 90 per cent in EC export subsidies and 75 per cent in internal support, both over 10 years.

Under the compromise package, export subsidies will fall by 36 per cent and internal support by 20 per cent, both over six years. Also, most barriers to trade in agricultural goods will be converted to tariffs, and most signatories to Gatt will have to open at least 3 per cent of domestic market sectors to imports, rising to 5 per cent after six years.

The cabinet decided to support the package in spite of disappointment over the size of proposed reductions in EC subsidies and the smallness of improvements in access to protected markets in the EC, the US and Japan.

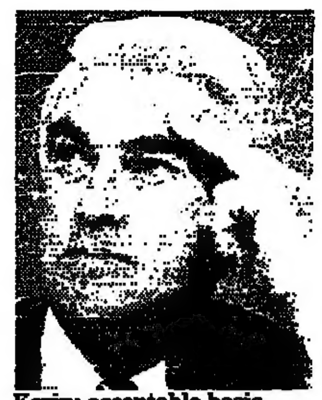
Ministers said the package was the best obtainable in the face of continued EC opposition to more significant changes to the Community's Common Agricultural Policy. Australia and other Cairns Group members had earlier threatened to refuse to accept a deal unless substantial progress was made in liberalising agricultural trade.

Mr Alexander Downer, Australia's shadow trade minister, said the conservative opposition parties would support the deal in the Senate, where the government is in a minority. However, Mr Downer said the package would not prevent the extension of EC and US export subsidies to new markets, and would allow Japan to use tariffs to exclude Australian rice exports.

"The Dunkel proposals do not amount to a major breakthrough for our farmers, although importantly, the proposals do establish for the first time ever the mechanisms to transform international agricultural trade over the long term," he said.

Australia's reluctant acceptance of the Dunkel proposals follows the government's failure to persuade the US to reduce its Export Enhancement Programme for agricultural products.

Australian farmers claim the programme has reduced global grain prices and forced them out of traditional markets, especially in the Middle East. President Bush sympathised with the farmers during a visit to Australia last week, but offered no changes to the programme.



Kerin: acceptable basis

Opposition to Dunkel's solution for Uruguay Round grows

THE US pharmaceutical industry yesterday denounced the latest proposals for ending the Gatt Uruguay Round talks as "an enormous break for the biggest pirates in the world", Nancy Dunne reports from Washington.

The industry's trade association joined a growing list of groups and companies opposed to proposals made by Mr Arthur Dunkel, Gatt director-general, on December 20 last year.

The 10-year grace period on intellectual property rights provided for developing countries such as India and Thailand was "an unacceptable proposition," Dr Harvey Bale, senior vice-president of the Pharmaceutical Manufacturers Association, said.

Industry support for settling the Round is seen as the key to getting congressional approval for it. Like other opponents of the Dunkel text, Dr Bale seemed unwilling to lose all hope for the Round and said he would seek changes in the proposed text.

Gatt was the subject of meetings all over Washington yesterday as groups sought to stake out their positions.

US and EC textile leaders also denounced the Dunkel text. No US groups appear willing to accept it as a take-it-or-leave-it proposition. Mrs Hills has said *she* will seek changes.

Other US officials are having trouble summoning enthusiasm; one senior trade official said that if the text was unalterable, he would rather "leave it".

Mr Abe Katz, head of the US Council for International Business, *said it* would be "misleading" to assert that US business was totally negative, because the Dunkel paper had many positive proposals.

"We are trying to limit the number and extent of changes necessary" to keep the whole agreement from unravelling," he declared.

The MTN Coalition, a group of multinational companies and groups backing the Round, was also in conference yesterday. Its executive director, Mr Harry Freeman, said: "There is no way we can take a position until we see what happens on tariffs and services liberalisation.

"We're saying: 'Run ahead with these negotiations as fast as possible; otherwise the nay-sayers can work the (Capitol) Hill for a number of months and create a hostile atmosphere there'."

Chief among the "nay-sayers" were the the American Textile Manufacturers Institute (ATMI), the American Apparel Manufacturers Association and a number of EC apparel and textile groups who flew to Washington to express their opposition.

"Countries which have cavalierly disregarded the most fundamental rules of international trade, are notorious dumpers, subsidisers and polluters and have built insurmountable tariff protections, will be the main beneficiaries of this plan," Mr Neil Hightower, ATMI president, said.

The groups sought a 15-year phase-out of the Multifibre Arrangement, against the 10 years in the Dunkel proposals, and said all countries should set up strong verification procedures to ensure pacts to open markets were honoured.

Central to US industry objections is the proposed new multilateral dumping code. Mr Michael Coursey, a Washington lawyer advising the US Chamber of Commerce, said the proposed code was unacceptable to US business.

New textile rules 'pose threat to Caribbean'

CLOTHING exporters in Central America and the Caribbean say they will be damaged if proposals for new rules governing the textile and clothing trade are implemented, Canute James reports from Kingston.

The producers, which ship mainly to the US, say their industries will be damaged if quotas are phased out over 10 years, as proposed in the current negotiating text for the industry in the Uruguay Round of trade talks. The producers say their fears have been compounded by the conclusions of a report prepared by the Fiber, Fabric and Apparel Coalition for Trade, a combination of US textile and clothing groups.

"The report projects severe damage to the US industry, which would decline by 40-60 per cent in the face of unfettered competition by Asian economies, including China," the producers said in letters sent to the White House and US congressmen. This would occur by the year 2002 if quotas were phased out over the 10-year period proposed in the text tabled by the chairman of the negotiating group on textiles and clothing.

Much of the region's clothes trade with the US is based on bilateral treaties where clothes are assembled and re-exported. Producers say proposed changes could cut jobs in the US industry from 1.74m to 780,000.

Canada seeks end to car content dispute

CANADA has asked for a dispute settlement panel to be set up under the US-Canada free trade agreement (FTA) to adjudicate a disagreement over the local content of Japanese cars assembled in North America, Bernard Simon reports from Toronto.

The row follows a US Customs inquiry into the North American content of Honda Civic cars assembled at a factory near Toronto, then exported to the US.

The US is concerned that Honda may be violating FTA provisions requiring 50 per cent North American content to qualify for duty-free cross-border shipment.

Mr Michael Wilson, Canada's trade minister, said the dispute centred on what interest charges qualified as local content. "Despite efforts to win a settlement, the US contends that only interest paid with respect to a mortgage can be included as 'territorial content' under FTA rules of origin. Our position is that 'territorial content' includes any interest paid in relation to land, equipment and buildings used in making goods."

Ottawa has tended to favour more generous local content rules than the US, in an effort to woo investment by Japanese and other foreign car makers in Canada. The binational panels are likely to be a model for other regional trade arrangements. About two dozen panels have been formed since the FTA took effect three years ago.

Polish airline sells aircraft to Ukraine

LOT, Poland's state-owned airline, has sold its seven long-range IL-62s along with 10 short-range AN-24 aircraft to Avialinia, the Ukraine's newly-established airline, Christopher Bobinski reports from Warsaw. Delivery is to be completed by February.

LOT has been seeking a buyer for its IL-62s since last autumn. The Polish airline has two Boeing 767s for its transatlantic route, another is soon to be delivered, and the purchase of two or three more is being considered.

LOT yesterday refused to confirm that the Ukraine had agreed to pay $15m (£8.3m) for the aircraft. Last year, it signed a $900m contract to buy nine Boeing 737s for use on its European routes. The mid-1990s should see it with 25 aircraft, all made in the west.

Kansai lifts deal goes to Swiss

SCHINDLER, the Swiss lifts and escalators group, has seen the first pay-off from its decision three years ago to step up its presence in the Japanese market, Ian Rodger reports from Zurich.

It has won a SFr6.6m (£2.59m) contract to supply escalators and elevators for the new Kansai international airport near Osaka.

Schindler acquired a Japanese lifts company, Nippon Elevator, in 1988. "It was important to get in to the Japanese market, because the Japanese companies Mitsubishi, Toshiba and Hitachi are our major competitors in Asia-Pacific markets," the Swiss company said.

Schindler, in a joint venture with Marubeni of Japan, was the only non-Japanese supplier to share in the lifts deal.

Marcos: consulted the poor

Marcos says she will seek presidency

MRS Imelda Marcos, the former Philippines first lady said yesterday she wants to run for president in Philippine elections scheduled for May, Reuter reports from Manila.

Minutes after pleading not guilty on corruption charges in a Manila court, Mrs Marcos said she hoped to secure the nomination of one of the opposition parties as its candidate to contest the May polls.

"After months of direct consultation with our poor and oppressed citizens, I have decided to run for office to seek the presidency by submitting to the democratic process of a national convention," she said.

Mrs Marcos and the late dictator Ferdinand Marcos were hounded from the Philippines in a popular revolt in 1986, accused of looting billions of dollars. The 62-year-old widow returned to an enthusiastic welcome from supporters in November after almost six years of exile in the US.

She accused President Corazon Aquino, the woman who ousted her, of running "a sick and misdirected government".

It was the first time Mrs Marcos had announced plans to run for the presidency, although she has been edging towards such a move since returning from exile. She said she hoped to forge a united opposition coalition for the May polls and wanted a national convention to select the opposition candidate.

Mrs Aquino has said she will not run in the elections on May 11. Some commentators believe she may change her mind if Mrs Marcos runs.

The filing of criminal charges is part of a government bid to recover more than $350m (£192m) it says the Marcoses had deposited in secret Swiss bank accounts.

Farmers relieved as Bush takes heat off rice imports

By Robert Thomson in Tokyo

JAPANESE farmers welcomed US President George Bush with an invitation to visit the "beautiful, pastoral side of Japan" and a warning that they remain determined in the fight against the opening of the country's rice market.

In an unusual full-page newspaper advertisement, the Central Union of Agricultural Co-operatives, which represents 5m farmers, expressed its support for a "new world order". However, they insisted this new order should not include rice imports by Japan.

Japanese farmers are relieved that the motor trade has become the most important issue on the Bush agenda, having feared that they would be the prime target of US criticism and that the Japanese government would be under heavy pressure to make a concession on rice imports.

Instead, Japanese car makers have been pressed to increase purchases of foreign parts and to remove obstacles to the sale of foreign cars in Japan, while concern over opening the rice market has eased.

Several Japanese politicians have suggested that the rice market should be opened, but Tokyo is now confident that the issue will be settled in the longer-term through the Uruguay Round of multilateral negotiations under the General Agreement on Tariffs and Trade (Gatt).

Before Mr Bush's arrival, Mr Kiichi Miyazawa, the prime minister, proposed that Japan examine the possibility of rice tariffication, the replacement of the import ban with a tariff regime, but gave no pledge on this politically sensitive issue.

Japanese negotiators, who want to convince the domestic audience that they are resisting foreign pressure, intend to wait until the US and EC reach agreement on farm trade before making a concession. This is, in part, because farmers' groups say they will vote against the ruling Liberal Democratic Party at an Upper House election this summer if the government allows imports.

In spite of the farmers' threats, Mr Michio Watanabe, the foreign minister and an LDP faction head, has insisted that Japan introduce tariffication, but suggests that it could effectively limit the opening to 5 per cent of the 10m-tonne market by imposing a 700 per cent tariff on imported rice.

The shift in US attention to the Japanese car industry is particularly welcomed by the farmers' groups, which have argued that they are threatened by imports because the aggressiveness of Japanese manufacturers has created a huge trade surplus. In the letter to Mr Bush, the farmers' union suggested that the "new world order" be based on "well balanced development in both agriculture and manufacturing sectors".

"We fear that a policy of a country that diminishes its agriculture and impoverishes its rural communities, while excessively increasing manufactured exports, is the sort of policy that would be unwelcome in the new world order," the union said.

The advertisement described the "farming regions of the US Midwest" and the rice paddies of Japan as the "heartland" of each country. "We may be able to import automobiles from your country, but farmlands of such immeasurable value just cannot be imported."

First fall for ten years in Japanese motor sales

By Robert Thomson

A 3.9 PER CENT fall in motor vehicle sales last year in Japan, the first decline in a decade, has highlighted the impact of slower domestic growth and the difficulty faced by foreign manufacturers attempting to expand their sales.

The Japan Automobile Dealers' Association (Jada) said 5.74m vehicles were sold last year, 199,920 of them foreign (10.7 per cent down on a year earlier). Car sales fell 6.5 per cent to 4.03m, trucks rose 3 per cent to 1.69m and buses were down 4.5 per cent at 23,796.

Apart from blaming slower economic growth, Jada said that tougher parking legislation had restricted sales in large cities. Parking fines have been increased sharply and potential purchasers must now provide more evidence that they have a parking space before they can take delivery of a car.

The decline in sales has hurt the profits of leading Japanese makers, who, in turn, have put extra pressure on their suppliers to cut costs. Motor manufacturers are hoping that the recent decline in Japanese interest rates will stimulate sales.

However, the December figures were not encouraging, with total vehicle sales of 423,825, down 8.5 per cent on the same month in 1990. It was the eighth consecutive month of decline. Car sales were down 10.9 per cent; those of imported vehicles were 16.6 per cent lower.

Jada said, that Toyota sales fell 5.9 per cent to 2.35m vehicles, and those of Nissan, the second largest manufacturer, fell 4.2 per cent to 1.34m units. Strong demand for luxury models was shown in a 42 per cent increase in sales of cars of above 2,001cc.

● Construction orders received by domestic contractors last November fell 15.7 per cent from the same month in 1990, the Japan Federation of Construction Contractors said yesterday. Orders from the private sector fell 24.3 per cent, reflecting the the impact of an oversupply of apartments, while public orders rose 13.4 per cent.

Honda and Toyota third and fourth in US car sales league

By Kevin Done, Motor Industry Correspondent, in Detroit

JAPANESE car producers last year increased further their share of US car sales, adding to mounting US-Japanese trade frictions. Their advance came as US new car sales fell by 12 per cent to 8.2m, the fourth decline in five years and the lowest level since 1982.

With the recession in the US car market deepening the big three US car makers – General Motors, Ford and Chrysler – all suffered heavy losses.

The chairmen of the big three are accompanying President George Bush on his visit to Japan this week.

Japanese-badged cars captured 31 per cent of the US new car market last year, compared with 28 per cent a year earlier. For the third successive year the Honda Accord, which is produced both in the US and in Japan, was the best selling car in America with sales of 399,297, ahead of the Ford Taurus, with the Toyota Camry in third place.

For the first time Chrysler, the smallest of the big three, was overtaken by two Japanese producers and was relegated to fifth place in the US new car market.

US Light Vehicle Sales 1991

	units	%age change	market share
GM	4.346m	-12.6	35.1%
Ford	2.899m	-13.8	23.3%
Chrysler	1,508m	-11.2	12.2%

Its share of US new car sales dropped to 8.5 per cent from 9.2 per cent a year ago, while Honda increased its share to 9.8 per cent in 1991 from 9.1 per cent in 1990, and Toyota boosted its share to 9.0 per cent from 8.3 per cent.

GM's share of the US new car market remained virtually unchanged at 35.4 per cent, but Ford lost ground with its share dropping to 19.9 per cent from 20.8 per cent a year ago.

Ford's new car sales in the US fell by 15.8 per cent to 1,943,603 last year. Price discounts to retail customers were at record levels in the face of falling demand and excess capacity. Ford estimates that automotive capacity in North America exceeded industry sales by more than 5m units last year.

GM's car sales in the US fell by 12.1 per cent to 3,308,983, while Chrysler's car sales fell by 18.4 per cent to 702,518. Chrysler still sells more vehicles in total in the US market than any Japanese producer, however, when light trucks, such as pick-ups, four-wheel drive leisure utility vehicles and multi-purpose vehicles (minivans) are included.

The total US market for cars and light trucks declined last year by 11.2 per cent to 12.3m, the worst performance since 1983, from 13.9m in 1990. Only a slow recovery is forecast by US car makers for 1992.

President Bush yesterday pressed home his campaign to champion US interests during his visit to Japan by attending the opening of a second outlet of Toys R Us in Kashihara City.

The US retailer, after years of fighting government restrictions, opened its first shop last month. It has become a symbol of US efforts to crack open the Japanese marketplace.

"We have much to learn from the three-year battle waged by Toys R Us to open the $6bn Japanese toy market," said Mr Bush, pictured with the chairman, Mr Charles Lazarus.

Shopper Fukada Eiji bought a computer game for his son and said: "I guess the trade problem must be very serious for the president to come to the opening of a toy store." The Asahi Evening News reported that the US store had put local toy shops "in a state of panic".

Seoul to cancel exercises with US

By John Ridding in Seoul

SOUTH Korea said yesterday it would cancel annual military exercises with the US, following a pledge from North Korea to allow inspection of its nuclear facilities. The two steps, which appear to have been co-ordinated, will help ease tensions between North and South Korea. They are the latest signs of a rapprochement after 38 years of uneasy peace since the 1950-53 Korean war.

North Korea has been under increasing international pressure to allow inspection of its nuclear facilities. South Korea and the US, its principal ally, are convinced that North Korea is developing nuclear weapons and that Pyongyang will have completed a nuclear device by 1995.

A statement issued on North Korean state radio yesterday confirmed reports from the International Atomic Energy Agency on Monday that Pyongyang would allow inspection of its nuclear facilities.

It is not the first time that North Korea has promised to sign a nuclear safeguards accord and allow inspections. But it is the first time that South Korea has accepted Pyongyang's sincerity.

Seoul is apparently convinced that North Korea will fulfil its promise made during a meeting on December 31 in which the two sides agreed to create a nuclear-free Korean peninsula.

The scrapping of annual US-South Korean military excercises, agreed this week between US President George Bush and Mr Roh Tae Woo, his South Korean counterpart, also removes one of North Korea's principal objections to improved relations with Seoul.

North Korea has protested over the annual Team Spirit exercises since they started in 1976 and has frequently suspended confidence-building negotiations with South Korea because of them.

Western diplomats in Seoul said they were encouraged by yesterday's announcements but wanted to see promises translated into action. "It doesn't matter what North Korea says, or even what North Korea signs," said one diplomat. "What matters is what they do, and there is still plenty of scope for frustration regarding the inspection of its nuclear facilities."

Despite such caution, however, most diplomats said that the process of improving inter-Korean relations was gaining momentum. The two sides have signed a non-aggression pact and are expanding economic links.

Kurds need $145m aid say UN officials

AT LEAST $145m is needed to protect and help Kurds in Iraq over the next six months, UN officials said yesterday, AP reports from Geneva.

"The humanitarian programme has got to go on; the guards have got to stay in place," said Mr Michael Stopford, spokesman for the UN relief programme in Iraq.

Meanwhile, Iraq's health minister said that 85,942 Iraqis died in 1991 as a result of the UN economic sanctions imposed following the invasion of Kuwait.

Mr Omid Medhat Mubarak said 27,473 of those who died were children under five who suffered respiratory infections, diarrhoea and other illnesses because there were no medicines to treat them.

Mr Mubarak warned that the death rate would rise in 1992 if the trade embargo continued, the official Iraqi News Agency said.

Imports of food and medicine are allowed under emergency measures adopted by the UN Security Council after the Gulf War, but Iraq says it lacks the hard currency to pay for them.

The US last week renewed its calls to Baghdad to accept Security Council resolutions that permit a partial lifting of sanctions to allow the government of Saddam Hussein to sell $1.6bn of oil to buy essential humanitarian supplies.

Iraq has refused to accept the terms of the resolutions. Baghdad officials say the amount is not enough and that proposed UN scrutiny of the sales and food distribution would infringe its sovereignty.

Some of the $1.6bn also would pay for UN relief programmes in Iraq and reparations to Kuwait.

In Geneva, Mr Stopford urged international donors to help Iraqi Kurds even if they disapproved of Baghdad's policies.

"Never mind the political uncertainties, someone's got to pay for these operations," Mr Stopford said.

Mr Stopford said Iraqi authorities were still preventing UN efforts to aid the Shia Moslem population in the southern Iraqi marshes near the Iranian border.

Aids affects 500,000

NEARLY half a million people around the world are officially reported to have Aids, but a UN agency says this was just a third of the estimated total, and up to 11m people carry the HIV virus, Reuter reports from Geneva.

Reported cases of the fatal disease rose by 28,278 in the last quarter of 1991, reaching a global total of 446,681 victims in 163 countries, the World Health Organisation reported yesterday.

The US reported 15,541 new cases, Tanzania 6,188 and Europe 4,017 new cases.

The WHO says officially reported cases are only a fraction of the true total.

It estimates that some 1.5m people have contracted Aids, while between 9m and 11m are infected with the HIV virus which causes the disease.

Leaders take a nationalistic line

Algeria's Islamic party stays silent on economy

By Francis Ghilès in Algiers

ALGERIA's Islamic Salvation Front (FIS), which swept the first round of voting in the country's elections last month, has never provided a detailed economic policy platform.

One of the greatest uncertainties, therefore, were the party called to form the next Algerian government after the second and final vote on January 16, revolves around the FIS's attitude towards Algeria's economic reforms, which were launched three years ago to liberalise what for 30 years, had been a tightly-controlled command economy.

Islam traditionally favours free trade, but as Mr Abdelhak Benhamouda, the leader of Algeria's the main trades union, Union Générale des Travailleurs Algériens, pointed out recently, Islam has never shown any interest in the problems of industrial production.

Yet today, as the country embarks on the most difficult phase of its economic reform policy, the focus of debate is precisely on such problems.

Mr Abdelkader Hachani, its provisional leader, has been dismissive of an Ecu400m ($516m) European Community loan made three months ago in support of Algeria's economic recovery. The loan was a key gesture of support for Algeria's central bank policy aimed at refinancing the country's $25bn debt, but Mr Hachani said it was "made by countries who are enemies of Islam".

Mr Hachani has also denounced the new hydrocarbons law voted by the national assembly last month as a "transaction of shame". Yet this policy, which aims to associate foreign oil companies with research and exploration of existing oil wells, could offer Algeria access to much-needed know-how and capital.

The FIS leader says he is not against privatisation on "religious grounds" but adds that he is nevertheless opposed to the privatisation of what he describes as "publicly-owned strategic industries".

When Mr Abassi Madani, who was one of the two paramount leaders of the FIS until his imprisonment in June, spoke on economic matters, he always did so in a manner reassuring to foreigners. He appeared mindful of the economic realities of Algeria's dependence on western banking and technology.

However, many of the present FIS leaders belong to the Djar'ara wing of the party, which believes in an Algerian version of Islamic society and rejects any "internationalist" role models for the society.

This wing believes the country should pull itself out of its current crisis by its own efforts, a nationalistic approach strikingly similar to the populist ideology so long propagated by the ruling National Liberation Front.

Solidarity with Arab brothers is another FIS theme, but one which so far has mainly been translated, at least until the war with Iraq, by plentiful assistance from certain Saudi princes.

In the eyes of fundamentalist leaders, detailed policies can wait until they have achieved their main objective – that of winning power.

Two factors, however, may conspire to force decisions more quickly. First, pressure from FIS supporters, the have-nots of Algerian society, whose view of the world reflects both the ideological mixture of demagoguery and Marxism and the practical problem of their own lack of housing and jobs.

Second, Algeria's commitments towards the International Monetary Fund, western banks and governments, which have always been respected in the country and, certainly in the minds of Algeria's creditors, are not susceptible to an "Islamic" reading.

Pakistan's privatisation policy reaches a key stage

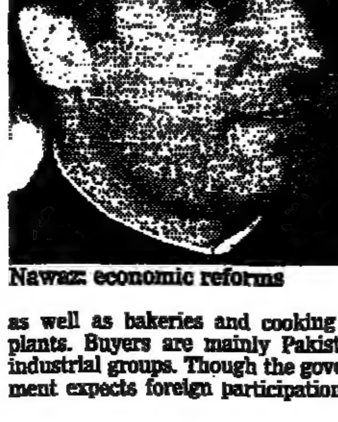
Although sell-off targets have not been met there is optimism in Islamabad, writes Farhan Bokhari

PAKISTAN'S programme for privatising public sector industry has reached a key stage this month with the planned sale of 44 factories.

The programme is looked upon as a test of the policies of Mr Nawaz Sharif, the prime minister, who has undertaken economic reforms including removal of regulation, privatisation and private sector incentives since he took office in November 1990. The reforms have won the backing of the International Monetary Fund.

The initial target of selling over 115 factories by the end of 1991 was not met. But government officials and businessmen nevertheless see the sales arranged so far as an important boost to the programme. Mrs Salma Ahmed, a Karachi-based industrialist, says: "The sale of 44 units is a good off-loading for the first year".

Of these, 24 deals have been finalised and the remainder are due to be completed during January. They include tractor and cement factories as well as bakeries and cooking oil plants. Buyers are mainly Pakistani industrial groups. Though the government expects foreign participation in some of the sales, none has so far been confirmed. The government expects to earn at least Rupees 10bn from the 24 confirmed deals. It aims to receive at least 90 per cent of an undisclosed reference price, and does not disclose individual sale prices.



Nawaz: economic reforms

The public sector units being sold are generally inefficient with low productivity and profitability.

Mr Saeed Qadir, chairman of the privatisation commission, expects profitability to improve when the factories are sold. By March, he expects the total of factories sold to rise to about 80. Mr Qadir says a government deal with labour unions was the biggest step towards success of the privatisation programme.

Under the deal announced in October, the government agreed that new owners of factories would not be allowed to retrench any workers during the first 12 months after privatisation. It was also agreed that 10 per cent of shares would be offered to workers at a mutually agreed price.

If workers were laid off, the deal provided for an unemployment allowance, easy credit facilities for self-employment initiatives, scholarships for children and grants for marriage of daughters. The government also agreed to compensation of one month's full salary and four months basic salary for each year of service.

Mrs Ahmed, the Karachi industrialist, says that as a result of the agreement, labour unions are in a better position to understand the privatisation initiative.

But one leading businessman cautions that "the deal with labour unions has put off some investors. It is not clear how much liabilities on this front would go to the new owners. For factories which are already running losses, such a deal could be back-breaking".

Other business people are optimistic for the privatisation programme because of other reforms, including reduction of bureaucratic restrictions, permission for Pakistanis to keep foreign exchange accounts at local banks, and steps to improve infrastructure such as telephones.

Officials claim that Pakistan's first important international investors' conference, held in November, attracted commitments to new projects totalling $600m. However, businessmen are sceptical that such a large amount will be invested in the near term.

Aside from the attempt to sell off industries, the government's initiative to sell two of the largest public sector banks and two development finance institutions in November received fewer than expected offers. Senior officials including Mr Qadir conceded that the outcome was disappointing.

Western economists in Islamabad remain cautiously optimistic. Says one: "Even with these problems, the government seems to be persistent and wants to go along... If the programme doesn't go far enough, it would be hard not to give them credit for at least trying."

Canadian MPs expelled from China

By Angus Foster in Hong Kong

THREE Canadian MPs were yesterday expelled from China after meeting relatives of jailed Chinese dissidents and threatening to lay a wreath in Tiananmen Square, symbol of the 1989 massacre.

The three MPs claimed they were "manhandled" then "thrown" into a bus to Beijing airport. A Canadian diplomat accompanying the delegation was also denied diplomatic privileges, the MPs say. China claimed the three indulged in "activities incompatible with their status in China".

Mr Svend Robinson, the New Democratic Party's spokesman on human rights, said China knew in advance the focus of the delegation's visit was human rights. "We feel a profound sense of sadness and tragedy that we leave behind in China thousands who are victims of human rights infringements," he said.

The incident was similar to a September visit to Beijing by US congressmen, led by Representative Nancy Pelosi. The congressmen also focused on Tiananmen Square, but were frustrated by Chinese police.

China insists it will not tolerate interference in what it regards as internal affairs. Yesterday's events are embarrassing for the Chinese, none the less, because they come shortly before several human rights and trade issues come up for discussion before the US Congress.

The MPs, speaking upon their arrival in Hong Kong, said they had finished a meeting with Rong Yiren, head of China International Trust and Investment Corporation, when they were taken to a police station where about 100 army and police were present. They were then taken in a convoy of 14 cars to the airport and were not allowed to return to their hotel.

AMERICAN NEWS

US Treasury urges reform of corporate tax

By George Graham in Washington

THE US Treasury has outlined new ideas for transforming the corporate tax system to eliminate the bias that drives companies to finance themselves through debt rather than equity.

In a study on the integration of individual and corporate tax systems, the Treasury suggests that reform could generate savings of up to $25bn (£13.7bn) a year for the US economy by increasing corporate capital by as much as $500bn and reducing corporate debt ratios by up to 7 percentage points.

The distortion arises from the fact that the US, unlike most other developed countries, taxes corporate dividends twice over: once as the company's profits and a second time as the shareholder's income. Interest payments, on the other hand, may be deducted from taxable income by the company.

While the Treasury stops short of recommending any specific legislation to change the current system, the report argues that simply excluding dividends from shareholders' taxable income would be the easiest way of stopping the double taxation.

This approach is gaining support in academic circles, because it ends the double taxation of dividends while avoiding the pitfalls of systems in countries such as the UK, France and Germany where corporate income tax is by various means imputed to the shareholder. It would cost $13.1bn a year in lost tax revenue, the Treasury estimates, but this would still be less expensive than an imputation system.

A much more ambitious reform entitled the Comprehensive Business Income Tax (CBIT), however, would bring greater economic benefits, the report says, although it would also be more complicated to introduce.

The CBIT proposal would involve taxing corporate income before either dividend distributions or interest payments, thereby treating debt and equity capital equally. Because the tax would be levied on a broader base, the Treasury says the corporate tax rate could be lowered from 34 per cent today to 31 per cent, while still raising the same amount of revenue.

The proposal would also end the discrimination against retained earnings.

Nasa may have to cut 5,000 space shuttle jobs

By George Graham

THE US may be forced to cut 5,000 jobs from its space shuttle programme, according to Mr Robert Crippen, director of the Kennedy Space Centre in Florida.

The National Aeronautics and Space Administration (Nasa) has promised to cut 15 per cent over the next five years from the $2.7bn (£1.5bn) annual costs of its shuttle programme, which accounts for nearly 20 per cent of its overall budget. That would mean a reduction of about 5,000 jobs, although some staff might be shifted to other programmes.

Vice President Dan Quayle, who chairs the National Space Council, announced last summer that the US would build no new shuttles, concentrating instead on developing a new generation of launch rockets.

Nasa said yesterday the more money the agency could free from the shuttle programme, the more it would have for costly programmes such as the space station.

Assembly of the space station, whose cost is now estimated at $40bn, is due to start in late 1995, while the first platform of the Earth Observing System is due to be launched in 1997.

Salinas to merge ministries in cabinet reshuffle

MEXICO'S President Carlos Salinas de Gortari has replaced his education minister, Mr Manuel Bartlett Diaz, who resigned on Monday night, with the budget minister, Mr Ernesto Zedillo Ponce de Leon, writes Damian Fraser.

He also announced plans to merge the budget and finance ministries, which he said would "strengthen fiscal and financial policy" and consolidate economic recovery.

Mr Zedillo, a 40-year-old Yale-educated economist, earned a reputation as a tough, orthodox, penny-pinching budget minister, and won wide acclaim for organising a programme to eradicate extreme poverty during his three-year stay in the ministry.

He is a close ally of Mr Salinas's powerful chief of staff, Mr José Cordoba, and his new post suggests that the long-heralded reforms of the education system may soon be launched.

Mr Zedillo will not be replaced as budget minister, and instead his department will become part of the Finance Ministry, as was the case in the 1970s. This gives Mr Pedro Aspe, the charismatic finance minister, undisputed leadership over the handling of Mexico's economy.

Mr Aspe must now be considered one of the leading contenders to succeed Mr Salinas in 1994, along with Mr Manuel Camacho, the mayor of Mexico City.

Mr Bartlett, an old-style Mexican politician, unlike Mr Zedillo and Mr Aspe, is likely to bow out of federal politics, and may well become the governor of the state of Puebla later in the year.

Mr Bartlett had been interior minister in the previous administration, and oversaw the fraud-tainted 1988 elections that brought Mr Salinas to power.

Hasty measures fail to lift Mexican smog

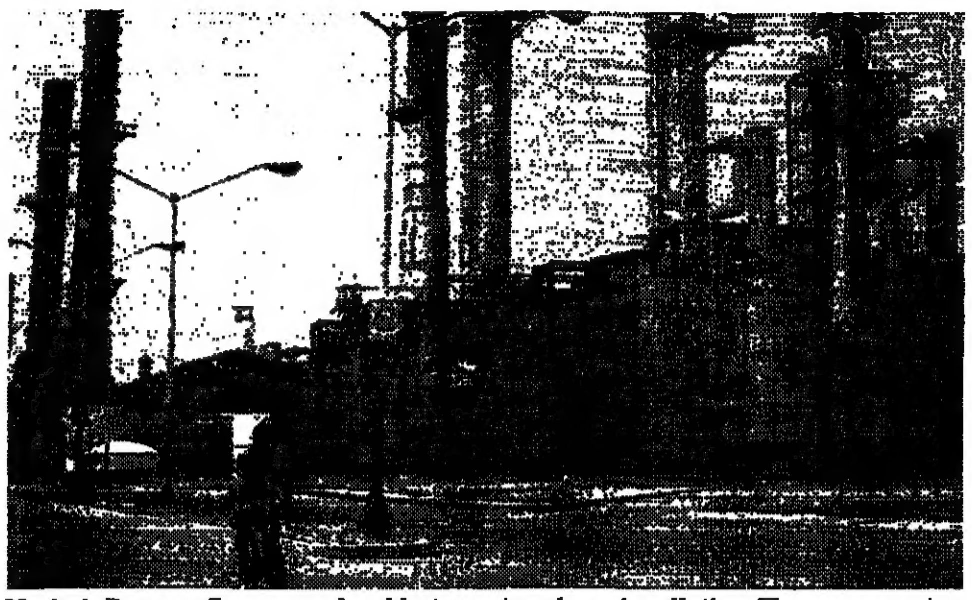
Damian Fraser on how political costs are still outweighing environmental incentives

FLY into Mexico City in the next few months and you will notice a thick cloud of yellow smog over the city. Talk to the city's residents and you will hear endless complaints of sore eyes, breathing difficulties, and ill-health.

In 1991 the levels of ozone (a secondary pollutant formed when nitrogen oxide and hydrocarbons mix in sunlight) reached record highs, and exceeded approved international standards for 290 days of the year. The next few months – the peak smog season – are likely to be worse. In the past two years, winter levels of ozone have risen by 14 per cent and 8.4 per cent respectively. Other pollutants, which receive less attention are as, if not more, dangerous. The amount of particulate matter – including faecal dust – floating in Mexico City's air, which cause breathing problems and higher mortality rates, is over twice the legislated standard.

Mexico City has come to be known as the pollution capital of the world. Home to 15m to 20m people, almost 3m cars, and 36,000 factories, Mexico City emits 12,000 tonnes of pollutants a day. In winter months much of the pollution is trapped by clouds of cold air that hang over the city.

The deteriorating air quality, has forced the government to take a series of drastic measures. The Environmental Ministry, along with other government departments, has prevented use of the city's 2.8m cars and trucks on one working day each week; closed down the giant March 18 oil refinery; ordered the replacement of 60,000 taxis and mini-buses with models fitted with catalytic converters; shut down scores of factories that fail to comply with tough emissions standards; invested hundreds of millions of dollars in improving public transport, the quality of gasoline, and planting trees; and in November raised leaded gasoline prices by 55 per cent.



Mexico's Pemex refinery was closed last year to reduce air pollution. The government has shut down scores of factories which failed to comply with emission standards

The total cost of Mexico City's anti-pollution programme is now put at $4.6bn although much of that used for better public transport would have been spent anyway.

While the measures taken have stopped the increase of some pollutants (noticeably lead), the programme, say many environmentalists and economists, has not beening particularly well thought out.

One problem is that with a number of different ministries responsible for the city's environment – including the departments of health, environment, transport, education, the Mexico City and State of Mexico governments – that implementation of the measures has been delayed by bureaucratic in-fighting.

More important, the government has neither established the impact of different pollutants on the health of Mexico's City's residents, nor estimated the economic cost of reducing the levels of these pollutants.

The Mexican government has thus still yet to conclude a large epidemiological study on the health of Mexico City residents, compared to say the health of residents of another large city less polluted. There is no centralised pool of data on hospital admissions that lets researchers look at how illnesses correlate with pollution levels. Nor has any attempt been made (publicly at least) to calculate the economic cost of different pollutants.

One "back-of-the-envelope" attempt to do this by the World Bank, puts total air pollution costs in Mexico City at $1.1bn a year. By far the most costly pollutant in terms of reducing life expectancy, increasing medical costs, and lost work days were fine particulates of faecal and other dust that permeate Mexico's air.

The suspended particulates are most common in north-east Mexico City, and are caused by the heavy concentration of industry in this part of the city, coupled with the ecological destruction of nearby lakes and trees. A simple measure that would reduce this problem – charging industries in Mexico City with much higher tax rates – has not been taken.

The government has only a handful of stations measuring particulate matter against dozens measuring ozone – much too few in the opinion of Mr Luis Manuel Guerra, director of the Autonomous Institute of Ecological Research.

The measures the government has already taken have often failed to achieve their goals. The "day without a car" programme, which was rushed into law, failed to halt the increase in petrol consumption, in part because many Mexicans bought second cars to circumvent the restriction. This year petrol consumption has risen by about 7 per cent.

The government has shied away from using market-based schemes to reduce pollution, which evidence from the US suggests would reduce the cost of cutting a given amount of pollution.

Mr Fernando Menendez, Mexico City's head of environmental planning, says that a pollution tax on companies would be too difficult. In any case, he says, "what I don't want is that someone pays me to pollute. *That looks to me as* criminal".

However, the government could tax the fuels (or their carbon content) used by Mexico City-based industries. This could be a useful proxy for taxing pollution.

Other market-based measures have been rejected in part because the political costs seem to be too high.

The Mexican government may be afraid that tough measures would dampen economic growth, and threaten the ruling party's political hold over the city. But until the cost of driving a car, or operating a factory reflects the environmental damage of the activity, Mexico's pollution problem will only get worse.

Brazil in crisis over 147% rise in pensions

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Fernando Collor de Mello spent yesterday locked in meetings with Economy Ministry officials to decide how to fund a 147 per cent increase in pensions granted by the *Supreme Court on Monday.*

The ruling followed a two-month legal battle and came as a blow to the government, which had argued that the state pension fund was bankrupt and that the Treasury did not have the necessary funds for the increase.

An Economy Ministry official said yesterday the extra $6bn that the government must now pay out this year would wipe out increases in revenue it is expecting as a result of its recent tax reform and thus jeopardise its planned fiscal adjustment currently under the scrutiny of the International Monetary Fund.

Brazil is hoping for the approval of a $2bn loan from the IMF later this month.

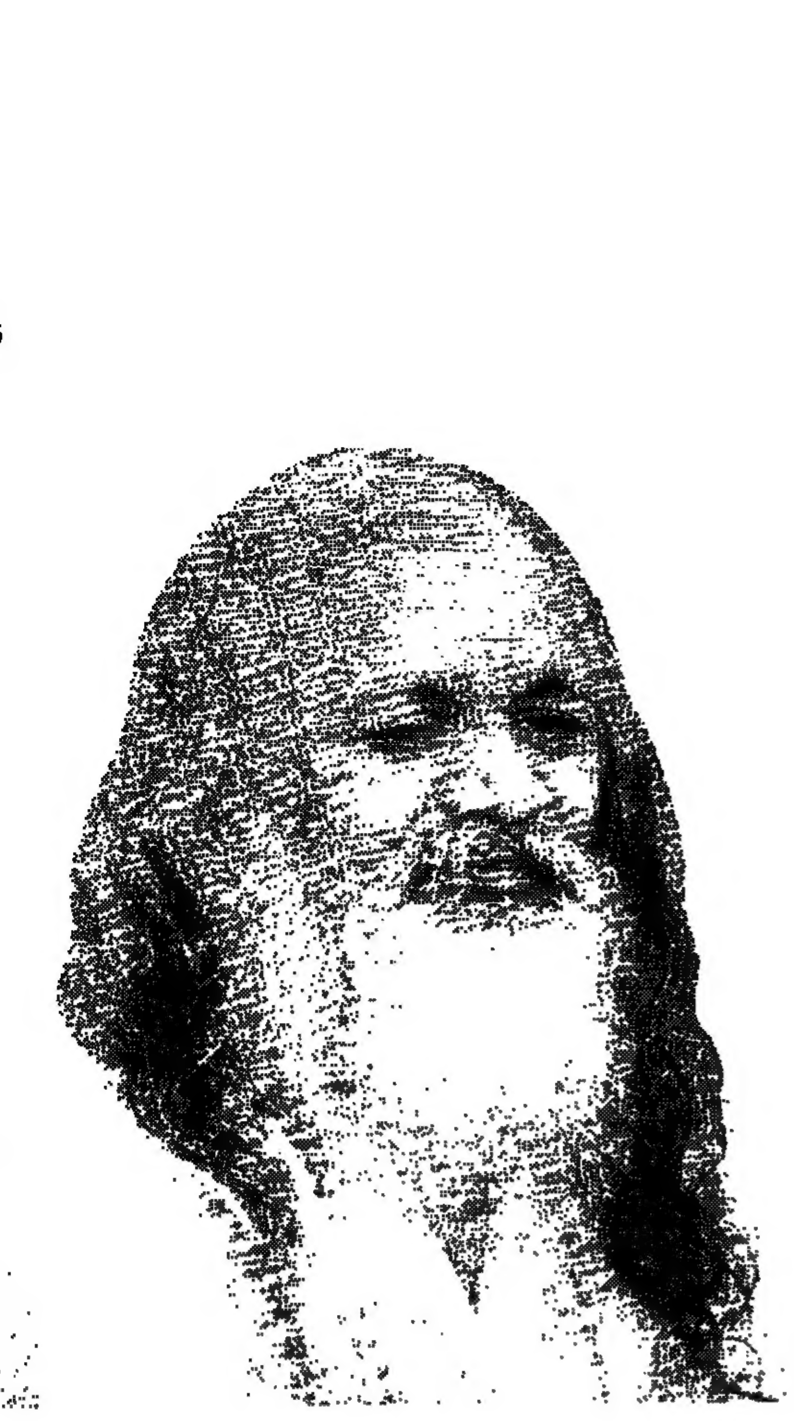
Before yesterday's meeting Mr Marcilio Marques Moreira, the economy minister, said the money would have to come from somewhere other than the Treasury, suggesting that social security contributions might be raised.

However, these are already among the highest in the world and businessmen warned that a further increase could push many companies over the edge, leading to further dismissals. The São Paulo Federation of Industries is already predicting 60,000 lay-offs in the next three months.

President Collor was expected to make a broadcast to the nation on the issue last night.

Murder suspect held

A SUSPECT in the murder last July of Mr Anson Ng, a Guatemala-based journalist, has been arrested, AP reports from Guatemala City. Police said Mr David Eduardo Lanza Marroquin, 28, was being held in jail. Mr Ng, a Malaysian-born Briton, had been a contributor to the Financial Times.



HIS HOLINESS
MAHARISHI MAHESH YOGI

Founder of:
The Transcendental Meditation and TM-Sidhi programme; Maharishi International University, USA; Maharishi Vedic University, India, Russia, and Holland; Maharishi's Vedic Science and Technology.

'We are now in possession of that supreme knowledge of Natural Law—the scientific knowledge of the source of nature's perfect order and how to access it—that can bestow perfection on any individual and on any government, and can raise life everywhere to the level of Heaven on Earth.

We are establishing a Capital of Heaven on Earth, from where the Constitution of the Government of the Universe—Natural Law—will be enlivened in world consciousness.

This will automatically bring the Support of Nature to the whole world family and raise the ability of all governments to satisfy everyone and create problem-free nations.

In this way every government will do justice to its sovereign authority and the whole world family will enjoy perpetual peace, happiness, and prosperity—Heaven on Earth.'

—Maharishi

Modern Scien

THE CONSTITU

The Source of All Order an

DISCOVERED THROUGH MAHA

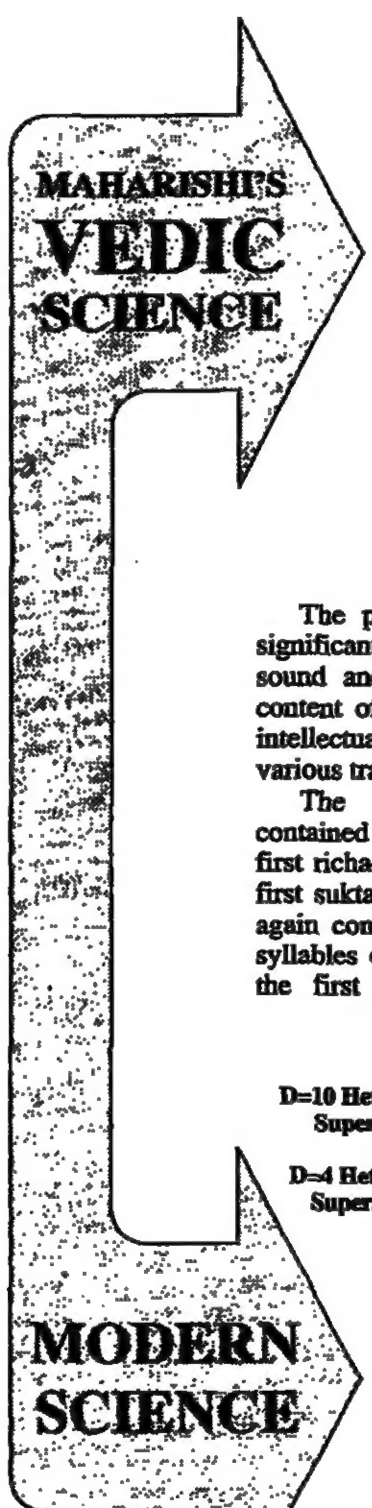
Maharishi invites all governments to bring the
and thereby raise governmental admin

In recent decades, modern science has systematically revealed deeper layers of order in nature, from the atomic, to the nuclear and subnuclear levels of nature's functioning. This progressive exploration has culminated in the recent discovery of the unified field of all the laws of nature—the ultimate source of order in the universe.

Similarly, the ancient Vedic wisdom, understood and reformulated in this scientific age by His Holiness Maharishi Mahesh Yogi in his Vedic Science and Technology, identifies a single, universal source of all orderliness in nature, and a practical, scientifically validated procedure to apply this most fundamental and powerful level of Natural Law for the benefit of mankind.

Both understandings, modern and ancient, locate the unified sou of nature's perfect order in a single, self-interacting field of intellig at the foundation of all the laws of nature. This field sequenti creates, from within itself, all the diverse laws of nature governing at every level of the manifest universe.

The self-interacting dynamics of this unified field constitutes most basic level of nature's dynamics, and is governed by its own of fundamental laws. Just as the constitution of a nation represents most fundamental level of national law and the basis of all the governing the nation, the laws governing the self-interacting dynam of the unified field represent the most fundamental *level of Nat*



Ahamkar	Buddhi	Manas	Akash	Vayu	Agni	Jal	Prithi
अक्	नि	मी	ळे	पु	रो	हिं	तं
AK	NI	MI	LE	PU	RO	HI	TAM
मु	ग्निः	पू	र्वे	भिः	ऋ	षि	भि
अ	ग्नि	ना	र	यि	म	श्न	व
अ	ग्ने	यं	य	ज्ञ	म	ध्व	रं
अ	ग्निर्	हो	ता	क	वि	क्र	तुः
य	द	ङ्ग	दा	शु	षे	तु	वं
उ	प	त्वा	ग्ने	द्रि	वे	दि	वे
रा	जं	न्त	म	ध्व	रा	णां	गो
स	नः	पि	ते	वं	सू	न	वे

The precise sequence of sounds is highly significant; it is in the sequential progression of sound and silence that the true meaning and content of the Ved reside—not on the level of intellectual meanings ascribed to the Ved in the various translations.

The complete knowledge of the Ved contained in the first sukta is also found in the first richa—the first twenty-four syllables of the first sukta (line 1). This complete knowledge is again contained in the first pada, or first eight syllables of the first richa, and is also found in the first syllable of the Ved, 'AK', which contains the total dynamics of consciousness knowing itself.

According to Maharishi's Apaurusheya Bhashya of the Ved, 'A describes the collapse of fullness of consciousness (A) within itself its own point value (K). This collapse, which represents the eter dynamics of consciousness knowing itself, occurs in eight successi stages. In the next stage of unfoldment of the Ved, these eight stages collapse are separately elaborated in the eight syllables of the fi pada, which emerges from, and provides a further commentary on, first syllable of Rik Ved, 'AK'. These eight syllables correspond to eight 'prakritis' (Ahamkar, etc.) or eight fundamental qualities intelligence which constitute the divided nature of pure consciousnes

The first line, or 'richa', of the first sukta, comprising 24 syllab provides a further commentary on the first pada: the eight-sylla

D=10 Heterotic Superstring

$$\mathcal{L}_F^{(10)} = \frac{1}{\pi}(\psi_L^1\partial_+\psi_L^1 + \psi_L^2\partial_+\psi_L^2 + \psi_L^3\partial_+\psi_L^3 + \psi_L^4\partial_+\psi_L^4 + \psi_L^5\partial_+\psi_L^5 + \psi_L^6\partial_+\psi_L^6 + \psi_L^7\partial_+\psi_L^7 + \psi_L^8\partial_+ \ldots$$

D=4 Heterotic Superstring

$$\begin{aligned}\mathcal{L}_F^{(4)} = \frac{1}{\pi}(&\bar\psi_L^1\partial_+\bar\psi_L^1 + \bar\psi_L^2\partial_+\bar\psi_L^2 + \chi_L^1\partial_+\chi_L^1 + \chi_L^2\partial_+\chi_L^2 + \chi_L^3\partial_+\chi_L^3 + \chi_L^4\partial_+\chi_L^4 + \chi_L^5\partial_+\chi_L^5 + \chi_L^6\partial_+ \ldots\\ &+y_L^1\partial_+y_L^1 + y_L^2\partial_+y_L^2 + y_L^3\partial_+y_L^3 + y_L^4\partial_+y_L^4 + y_L^5\partial_+y_L^5 + y_L^6\partial_+y_L^6 + \omega_L^1\partial_+\omega_L^1 + \omega_L^2\partial_+ \ldots\\ &+\omega_L^3\partial_+\omega_L^3 + \omega_L^4\partial_+\omega_L^4 + \omega_L^5\partial_+\omega_L^5 + \omega_L^6\partial_+\omega_L^6 + \bar y_R^1\partial_-\bar y_R^1 + \bar y_R^2\partial_-\bar y_R^2 + \bar y_R^3\partial_-\bar y_R^3 + \bar y_R^4\partial_- \ldots\\ &+\bar y_R^5\partial_-\bar y_R^5 + \bar y_R^6\partial_-\bar y_R^6 + \bar\omega_R^1\partial_-\bar\omega_R^1 + \bar\omega_R^2\partial_-\bar\omega_R^2 + \bar\omega_R^3\partial_-\bar\omega_R^3 + \bar\omega_R^4\partial_-\bar\omega_R^4 + \bar\omega_R^5\partial_-\bar\omega_R^5 + \bar\omega_R^6\partial_- \ldots\\ &+\psi_R^1\partial_-\psi_R^1 + \psi_R^2\partial_-\psi_R^2 + \psi_R^3\partial_-\psi_R^3 + \psi_R^4\partial_-\psi_R^4 + \psi_R^5\partial_-\psi_R^5 + \eta_R^1\partial_-\eta_R^1 + \eta_R^2\partial_-\eta_R^2 + \eta_R^3\partial_- \ldots\\ &+\bar\psi_R^1\partial_-\bar\psi_R^1 + \bar\psi_R^2\partial_-\bar\psi_R^2 + \bar\psi_R^3\partial_-\bar\psi_R^3 + \bar\psi_R^4\partial_-\bar\psi_R^4 + \bar\psi_R^5\partial_-\bar\psi_R^5 + \bar\eta_R^1\partial_-\bar\eta_R^1 + \bar\eta_R^2\partial_-\bar\eta_R^2 + \bar\eta_R^3\partial_- \ldots\\ &+\phi_R^1\partial_-\phi_R^1 + \phi_R^2\partial_-\phi_R^2 + \phi_R^3\partial_-\phi_R^3 + \phi_R^4\partial_-\phi_R^4 + \phi_R^5\partial_-\phi_R^5 + \phi_R^6\partial_-\phi_R^6 + \phi_R^7\partial_-\phi_R^7 + \phi_R^8\partial_- \ldots\\ &+\bar\phi_R^1\partial_-\bar\phi_R^1 + \bar\phi_R^2\partial_-\bar\phi_R^2 + \bar\phi_R^3\partial_-\bar\phi_R^3 + \bar\phi_R^4\partial_-\bar\phi_R^4 + \bar\phi_R^5\partial_-\bar\phi_R^5 + \bar\phi_R^6\partial_-\bar\phi_R^6 + \bar\phi_R^7\partial_-\bar\phi_R^7 + \bar\phi_R^8\partial_- \ldots\end{aligned}$$

As with the structure of Ved, the Lagrangian of the superstring can be seen in various stages of unfoldment. The most compact presentation of the string dynamics is provided by the ten-dimensional formulation of the heterotic string ($\mathcal{L}^{(10)}$). In addition to purely bosonic modes associated with the abstract space-time arena in which the string moves, the mathematics reveals precisely eight fundamental fermionic degrees of freedom intrinsic to the string itself—the unique solution allowed by mathematical and quantum-mechanical consistency of the theory. These eight fundamental modes of the string correspond, in Vedic terminology, to the eight prakritis—the fundamental qualities of the unified field of consciousness. As in the structure of the Ved, these eight fundamental modes admit three interpretations corresponding to rishi, devata, and chhandas, consistent with the quantum-mechanical structure of the theory: (1) Each of the fields $\psi^{i=1\ldots8}$ above defines a particular perspective in abstract Hilbert space (rishi), i.e., their eigen vectors form a basis in Hilbert space which can be used to expand and interpret any other state. (2) Each of the fields $\psi^{i=1\ldots8}$ is an operator (devata), which creates and destroys specific states in Hilbert space. (3) *Each of the symbols* $\psi^{i=1\ldots8}$ also denotes particular vibrational mode or state (chhandas) in Hilbert spa created or destroyed by its corresponding operator. With these th interpretations afforded by the quantum principle, one obtains identical 3x8=24-fold structure corresponding to the first richa of Rik Ved.

The next stage in the sequential elaboration of self-interacting dynamics of the unified field is found in free-fermionic formulation of the string in four dimensions ($\mathcal{L}^{(4)}$); this more expressed formalism, all bosonic degrees of freed associated with the original, abstract space-time arena fermionized, except for two right-moving and two left-mov coordinates needed to account for the four-dimensional structure classical space-time geometry. This yields precisely 64 fermio degrees of freedom intrinsic to the string itself [i.e., the 20 movers ($\bar\psi^{1,2}$, χ^i, y^i, ω^i; i=1…6) and 44 right movers ($\bar y^i$, $\bar\omega^i$, ψ^j, η^k, $\bar\eta^k$, ϕ^m, $\bar\phi^m$; i=1…6, j=1…5, k=1…3, m=1…8) shown abo When these 64 string fields are interpreted with respect to Hilb space, operators, and states, this gives 3x64=192 fundame

The Constitution of the Universe is Maharishi

هكذا مع الأصل

IENT

...d Ancient Vedic Science Reveal

...TION OF THE UNIVERSE

...armony Displayed throughout the Universe

...HI'S VEDIC SCIENCE, VERIFIED BY MODERN SCIENCE

...tional constitutions into alliance with the Constitution of the Universe, ...ution to be as efficient and as effective as the Government of Nature.

...and the basis of all known laws of nature. The laws governing the ...nteracting dynamics of the unified field can therefore be called the *...itution of the Universe*—the eternal, non-changing basis of ...al Law and the ultimate source of the order and harmony ...ayed throughout creation.

...the unified quantum field theories of modern physics, the precise ...ematical form of these fundamental laws is found in the ...ngian of the superstring and the N=1 supergravity theories. In ...rishi's Vedic Science, these same fundamental laws—the ...titution of the Universe—are found in the eternal, self-referral ...nics of consciousness knowing itself. This eternal dynamics is embodied in the very structure of the sounds of the Rik Ved, the most fundamental aspect of the Vedic literature.

This chart reveals that the two descriptions of the self-interacting dynamics of the unified field—the Constitution of the Universe—provided by both modern science and Maharishi's Vedic Science are identical, and that these two great traditions of knowledge, objective and subjective—modern and ancient—uphold one another and together rejoice in providing for mankind the basic and timely knowledge of Natural Law which alone is competent to eliminate all problems and to raise the quality of life in society to the level of Heaven on Earth.

First, the chart displays, from the standpoint of Maharishi's Vedic Science, the self-interacting dynamics of the unified field—the Constitution of the Universe—in the structure of the Rik Ved Samhita, as brought to light by Maharishi's Apaurusheya Bhashya of the Ved.

According to Maharishi's Apaurusheya Bhashya, the structure of the Ved provides its own commentary—a commentary which is contained in the sequential unfoldment of the Ved itself in its various stages of expression. The knowledge of the total Ved—the complete dynamics of the unified field of consciousness and the mechanics of symmetry breaking through which the unified field sequentially creates the manifest universe—is contained in the first sukt of the Rik Ved, which is presented below:

Ahamkar	Buddhi	Manas	Akash	Vayu	Agni	Jal	Prithivi
य	ज्ञ	स्य	दे	व	मृ	त्वि	जम्
YA	GYA	SYA	DE	VA	MRI	TVI	JAM
[illegible]	[illegible]	यो	नू	तं	नै	डु	त
त्पो	[illegible]	से	व	द्दि	वे	दिं	वे
वि	[illegible]	तं	प	द्दि	धू	र	सिं
सु	त्वश	चि	त्र	श्रं	व	स्त	मः
[illegible]	मं	धु	द्रं	क	रि	ष्य	सिं
दो	र्षा	व	स्तर	षि	या	वु	यम्
पा	मृ	तु	स्यु	दी	दिं	वि	म्
[illegible]	मैं	सु	पा	यु	नो	मं	व

Ahamkar	Buddhi	Manas	Akash	Vayu	Agni	Jal	Prithivi
हो	ता	रं	र	त्न	धा	त	मम्
HO	TA	RAM	RA	TNA	DHA	TA	MAM
स	दे	वाँ	ए	ह	व	च	ति
यु	श	सं	वी	र	वं	त	मम्
स	इ	द्दे	वे	षु	ग	च्छ	ति
दे	वो	दे	वे	भि	रा	गं	मत्
त	वेत्	तत्	स	त्य	मं	ङ्गि	रः
न	मो	भ	रं	न्त	ए	मं	सि
व	र्धं	मा	नं	सु	वे	द	मैं
स	चं	सु	आ	नः	स्व	स्त	यैं

...ure of the first pada now appears three times. The first pada ...sses the eight prakritis (fundamental qualities of intelligence) with ...ct to the knower or 'rishi' quality of pure consciousness. The ...d pada expresses the eight prakritis with respect to the process of ...ing or 'devata' quality of pure consciousness. The third pada ...sses the eight prakritis with respect to the known or 'chhandas' ...y of pure consciousness. Together, these three padas comprise the ...icha of the Ved, which represents another complete stage in the ...ntial unfoldment of knowledge—i.e., one complete version of the ...titution of the Universe.

...he subsequent eight lines complete the remainder of the first ...—the next stage of sequential unfoldment of knowledge in the ... These eight lines consist of 24 padas, comprising 8x24=192 syllables. According to Maharishi's Apaurusheya Bhashya, these 24 padas of eight syllables elaborate the unmanifest, eight-fold structure of the 24 gaps between the syllables of the first richa. Each line consists of three padas which, as in the first richa, respectively present the structure of self-interaction with respect to the rishi, devata, and chhandas qualities of pure consciousness. Ultimately, in subsequent stages of unfoldment, these 192 syllables of the first sukta get elaborated in the 192 suktas that comprise the first mandala of the Rik Ved, which in turn gives rise to the rest of the Ved and the entire Vedic literature.

This perfectly orderly, eternal structure of knowledge—the Ved—has been preserved over thousands of years in the Vedic tradition of India. The complete knowledge of the Ved and its profound significance for life has been revived and understood in a scientific framework by Maharishi Mahesh Yogi in his Vedic Science and Technology.

It is a highly significant feature of our scientific age that this complete knowledge of Natural Law provided by Maharishi's Vedic Science is now open to scientific confirmation through the unified quantum field theories of modern physics. Indeed, we see below that precisely this same mathematical structure of sequential unfoldment of the self-interacting dynamics of Natural Law is now available in the mathematical structure of the unified field found in the Lagrangian of the superstring, which represents the most complete mathematical expression of the detailed structure and dynamics of the unified field:

$$\mathcal{L}^{(10)}_F = \frac{1}{\pi}(\psi^1_L\partial_+\psi^1_L + \psi^2_L\partial_+\psi^2_L + \psi^3_L\partial_+\psi^3_L + \psi^4_L\partial_+\psi^4_L + \psi^5_L\partial_+\psi^5_L + \psi^6_L\partial_+\psi^6_L + \psi^7_L\partial_+\psi^7_L + \psi^8_L\partial_+\psi^8_L$$

$$\mathcal{L}^{(10)}_F = \frac{1}{\pi}(\psi^1_L\partial_+\psi^1_L + \psi^2_L\partial_+\psi^2_L + \psi^3_L\partial_+\psi^3_L + \psi^4_L\partial_+\psi^4_L + \psi^5_L\partial_+\psi^5_L + \psi^6_L\partial_+\psi^6_L + \psi^7_L\partial_+\psi^7_L + \psi^8_L\partial_+\psi^8_L$$

$$\begin{aligned}
\mathcal{L}^{(4)}_F = \frac{1}{\pi}(&\bar{\Psi}^1_L\partial_+\bar{\Psi}^1_L + \bar{\Psi}^2_L\partial_+\bar{\Psi}^2_L + \chi^1_L\partial_+\chi^1_L + \chi^2_L\partial_+\chi^2_L + \chi^3_L\partial_+\chi^3_L + \chi^4_L\partial_+\chi^4_L + \chi^5_L\partial_+\chi^5_L + \chi^6_L\partial_+\chi^6_L \\
&+ y^1_L\partial_+y^1_L + y^2_L\partial_+y^2_L + y^3_L\partial_+y^3_L + y^4_L\partial_+y^4_L + y^5_L\partial_+y^5_L + y^6_L\partial_+y^6_L + \omega^1_L\partial_+\omega^1_L + \omega^2_L\partial_+\omega^2_L \\
&+ \omega^3_L\partial_+\omega^3_L + \omega^4_L\partial_+\omega^4_L + \omega^5_L\partial_+\omega^5_L + \omega^6_L\partial_+\omega^6_L + \bar{y}^1_R\partial_-\bar{y}^1_R + \bar{y}^2_R\partial_-\bar{y}^2_R + \bar{y}^3_R\partial_-\bar{y}^3_R + \bar{y}^4_R\partial_-\bar{y}^4_R \\
&+ \bar{y}^5_R\partial_-\bar{y}^5_R + \bar{y}^6_R\partial_-\bar{y}^6_R + \bar{\omega}^1_R\partial_-\bar{\omega}^1_R + \bar{\omega}^2_R\partial_-\bar{\omega}^2_R + \bar{\omega}^3_R\partial_-\bar{\omega}^3_R + \bar{\omega}^4_R\partial_-\bar{\omega}^4_R + \bar{\omega}^5_R\partial_-\bar{\omega}^5_R + \bar{\omega}^6_R\partial_-\bar{\omega}^6_R \\
&+ \psi^1_R\partial_-\psi^1_R + \psi^2_R\partial_-\psi^2_R + \psi^3_R\partial_-\psi^3_R + \psi^4_R\partial_-\psi^4_R + \psi^5_R\partial_-\psi^5_R + \eta^1_R\partial_-\eta^1_R + \eta^2_R\partial_-\eta^2_R + \eta^3_R\partial_-\eta^3_R \\
&+ \bar{\psi}^1_R\partial_-\bar{\psi}^1_R + \bar{\psi}^2_R\partial_-\bar{\psi}^2_R + \bar{\psi}^3_R\partial_-\bar{\psi}^3_R + \bar{\psi}^4_R\partial_-\bar{\psi}^4_R + \bar{\psi}^5_R\partial_-\bar{\psi}^5_R + \bar{\eta}^1_R\partial_-\bar{\eta}^1_R + \bar{\eta}^2_R\partial_-\bar{\eta}^2_R + \bar{\eta}^3_R\partial_-\bar{\eta}^3_R \\
&+ \phi^1_R\partial_-\phi^1_R + \phi^2_R\partial_-\phi^2_R + \phi^3_R\partial_-\phi^3_R + \phi^4_R\partial_-\phi^4_R + \phi^5_R\partial_-\phi^5_R + \phi^6_R\partial_-\phi^6_R + \phi^7_R\partial_-\phi^7_R + \phi^8_R\partial_-\phi^8_R \\
&+ \bar{\phi}^1_R\partial_-\bar{\phi}^1_R + \bar{\phi}^2_R\partial_-\bar{\phi}^2_R + \bar{\phi}^3_R\partial_-\bar{\phi}^3_R + \bar{\phi}^4_R\partial_-\bar{\phi}^4_R + \bar{\phi}^5_R\partial_-\bar{\phi}^5_R + \bar{\phi}^6_R\partial_-\bar{\phi}^6_R + \bar{\phi}^7_R\partial_-\bar{\phi}^7_R + \bar{\phi}^8_R\partial_-\bar{\phi}^8_R)
\end{aligned}$$

...essions of Natural Law at this level of description of the ...titution of the Universe—in precise correspondence with the ...sukta of the Rik Ved.*

...his precise mathematical correspondence between the ...iptions of the detailed structure of Natural Law provided by ...ern science and by Maharishi's Vedic Science—both on the ...l level of nature's language and on the mathematical level of ...ools—gives great confidence that the knowledge of the most ...amental level of Natural Law, the Constitution of the Universe, ...w fully available to mankind. Fortunately, Maharishi's Vedic ...nce and Technology provides not only detailed intellectual ...rstanding of the Constitution of the Universe (above), but a ...y practical, scientifically validated technology to apply this fundamental and powerful level of Natural Law for the benefit ...ankind. Over 500 scientific studies conducted at more than 200 ...ersities and research institutes in 25 countries throughout the world have verified the immense practical benefits of this simple technology—Maharishi's Transcendental Meditation and TM-Sidhi programme—to access the Constitution of the Universe and thereby develop full human potential in all areas of mind, body, and behaviour. When the Constitution of the Universe, the total potential of Natural Law on the self-referral level of individual intelligence, is fully enlivened by the attention of the conscious mind through Maharishi's Transcendental Meditation and TM-Sidhi programme—the applied technologies of Maharishi's Vedic Science—individual thought and action become spontaneously in accord with Natural Law. Once life is lived in accord with all the laws of nature governing physiological, psychological, and sociological processes, problems of ill health and inappropriate behaviour do not arise. The individual receives the support of all the laws of nature for the fulfilment of all his desires and aspirations.

The single, most profound application of Maharishi's Vedic Science and Technology is through collective practice of the TM-Sidhi programme. Group practice of the TM-Sidhi programmeby as few as 7,000 citizens has been scientifically shown to create coherence in collective consciousness, eliminate collective stress, and to raise life to be spontaneously in accord with Natural Law.

Extensive scientific research has shown that group practice of Maharishi's Transcendental Meditation and TM-Sidhi programme increases positive trends throughout society and decreases negative trends such as ill-health, crime and other anti-social behaviour.

With this scientifically proven programme the entire population of a nation now has the chance to enjoy the full support of all the laws of nature for the fulfilment of all its goals and aspirations.

By incorporating into the national constitution a clause which guarantees the establishment and maintenance of such a coherence-creating group, national law will gain the support of Natural Law, and the man-made constitution of the nation will enjoy full alliance with the eternal Constitution of the Universe.

To learn more about the Constitution of the Universe in both its theoretical and applied values please contact Maharishi International University in Fairfield, Iowa, USA, or Maharishi Vedic University in Vlodrop, Holland, in Moscow, or in Maharishi Nagar, UP, India.

...s same mathematical sequence of unfoldment has also been found at the ...upergravity and unified electroweak levels of nature's dynamics.

...ft to the World in 1991, Maharishi's Year of Support of Nature's Government

Secret BR report says cities could lose express rail services

By Richard Tomkins and James Buxton

DOZENS OF towns and cities in the UK will lose their InterCity rail links under the government's plans for the privatisation of British Rail, the state rail network, according to a confidential BR document.

InterCity, BR's flagship service, operates high-speed and long-haul trains throughout Britain. Under the government's alleged plans, cities which could loses such services include every InterCity destination in Scotland north of Glasgow and Edinburgh; every destination in Wales except Newport and Cardiff; and a score of English towns and cities such as Blackpool, Bradford, Hull, Lincoln, Worcester and Penzance.

The document, seen by Mr Brian Wilson, the opposition Labour party's Scottish transport spokesman, threatens to provoke strong opposition to the privatisation plans from MPs representing the constituencies affected – many of them Conservative.

But Mr Malcolm Rifkind, the transport secretary, yesterday dismissed it as "scaremongering", saying the government's purpose was to expand railway services in the UK.

Although the document is likely to be seen as an attempt by BR employees to undermine the privatisation plans, it presents a plausible analysis of the likely consequences of selling InterCity to the private sector.

It says that the government's *insistence that InterCity* should deliver a rate of return on its assets of 2.5 per cent a year has led to a steady erosion of services since 1982.

A private sector owner, however, would require a far higher rate of return than this, the document says, leading to sharp cuts in peripheral services that make poor use of assets such as rolling stock.

The conclusion drawn is that the lightly used sections of the InterCity network would be ruthlessly pruned, leaving them as branch lines with connecting services into the main line network.

Mr Rifkind is expected to produce his policy document setting out the framework for the privatisation of BR later this month, although the date looks in danger of slipping into February.

Yesterday he said in an interview on BBC Radio: "British Rail is a monopoly and some of its staff, possibly including the person who wrote this report, would like to keep it as a monopoly and not allow anybody else to run rail services."

New car sales in UK decline to nine-year low

By John Griffiths, Andrew Baxter and David Goodhart

NEW CAR sales in the UK dropped to a nine-year low in 1991, motor industry figures confirmed yesterday.

The 20.74 per cent drop to 1.59m units, described as "extremely serious" by Sir Hal Miller, chief executive of the Society of Motor Manufacturers (SMMT), prompted opposition calls for urgent action to stimulate the economy.

With SMMT statistics showing the commercial vehicle industry to have been even harder hit – sales were down 28.78 per cent, to 209,021, compared with 1990 – Mr Gordon Brown, Labour's industry spokesman, called "for a new manufacturing investment incentive and direct action on training and jobs to bring about economic recovery".

His demand came on the eve of an ambitious attempt to address the long-term problems of the UK's engineering industry, through initiatives backed by companies, institutions, unions and the government. It will be launched today by the National Economic Development Council (NEDC).

The initiative – led by Mr Bill Jordan, president of the AEU engineering union, and Mr Ian Gibson, chairman of Nissan UK – is designed to tackle factors contributing to the poor performance of UK engineering over the past decade compared with major competitors.

A report to today's NEDC meeting, chaired by Mr Norman Lamont, chancellor of the exchequer, says a "vigorous marketing exercise is needed to ensure all firms in the industry are aware of the best manufacturing technologies and how the apply them".

Underlying the issues for each sector, says the report, are the need to "close the skills gap and to improve the supply infrastructure which serves the whole industry." It says many of the 130,000 managers in the industry lack the skills to compete in world markets.

The report expresses enthusiasm for Japanese team-work and says their "lean" car companies have about 70 per cent of their workforce working in teams compared with 1 per cent in traditional US and European mass car producers.

Management stress can lead to merger breakdown

By Diane Summers, Labour Staff

MERGERS and acquisitions frequently fail because companies place too much importance on financial information and spend too little time planning for the stressful effects of change on their staff, a three-year study has found.

More than half of all mergers and acquisitions fail to live up to financial expectations in spite of being presented to shareholders as a strategy for wealth creation, according to two psychologists from the University of Manchester's Institute of Science and Technology. In addition, mergers and acquisitions "have become associated with lowered productivity, higher labour turnover and absenteeism, worse strike records and poorer accident rates," say the researchers.

While companies examine minutely the financial considerations of taking over or merging with another organisation, the "people" issues are very much an after-thought.

The findings are to be presented to a British Psychological Society conference in Liverpool.

The consequence is that even a genuine merger between highly compatible companies is often perceived as a takeover by the staff of one of the organisations, say the researchers. Because of inadequate planning, the culture of one organisation often swamps the other and key staff then leave.

Mergers are found to be more stressful to employees than acquisitions because of the greater degree of ambiguity and because of the frequently long periods of uncertainty while negotiations are in progress.

Middle managers are found to be the most stressed group because they are not close enough to the top to know exactly what in going on but have to manage the fears and uncertainties of junior staff.

A detailed study, for example, of the mental health of 157 middle managers after the merger of two building societies showed the particular stress experienced by staff of the smaller organisation. Six months later managers had "adverse mental health scores significantly higher than the normal population".

Sprint tests water over transatlantic calls

The US telecoms group's move may herald a new era in pricing, reports Hugo Dixon

THIS MONTH'S application by Sprint, the US telecommunication carrier, for a licence to provide telecommunication services in the UK is a challenge to British government policy.

The question is whether an era of cheap and competitive transatlantic communications is about to dawn or whether there will be a continuation of current cartel practices.

Since the government abolished the British Telecom/Mercury Communications duopoly last year, Mr Peter Lilley, the trade and industry secretary, has been claiming that the UK telecommunications market is the most liberal in the world.

In theory, it is open to competition. But in practice, an exception has been made for international communications.

Sprint's application tests this policy because it has asked to be allowed to provide domestic and international services.

Mr Vincent Gargaro, a director of Sprint International UK, argues that customers are not interested in buying long-distance domestic services from one company if they have to use another operator for international calls.

Sprint is already the third-largest long-distance operator in the US. Its ambition is to become the third operator in the long-distance telecommunications market from the UK.

The government is wary about competition for international calls. Prices have been kept artificially high by cartel practices but the government is afraid that foreign monopolists might take advantage of an open market without home companies having reciprocal access abroad.

It is not only concerned about the loss to the UK of lucrative earnings – BT made £121m in operating profits on calls between the US and the UK alone in 1987-88. It also fears "whip-sawing", where a foreign monopolist plays off one UK operator against another to get the best deal.

BT and Cable & Wireless, Mercury's parent company, have persuaded the government that such concerns apply not only to monopolies from other countries, but even to companies from the US, where there is much competition. They point out that US regulations automatically treat non-US companies as dominant in telecommunications.

Moreover, last month the Federal Communications Commission, the US regulatory body, proposed relaxing the regulatory burden on foreign companies. Sprint believes that the UK should therefore agree to its licence application and is keeping the FCC informed.

Telecommunication operators are in the process of restructuring themselves from national monopolies into globally-competitive groups.

AT&T, the largest US carrier, has shown an interest in the UK market. Meanwhile, BT has been trying to establish a global network via its US-based Syncordia subsidiary.

New types of competitor are emerging. Resellers such as US-based World Communications are buying up cable capacity in bulk and selling it on to customers at a discount. And private satellite groups such as Pan American Satellite and Orion are preparing competitive offerings.

Leading role: John Major takes command of a tank on a visit to Newcastle

Labour launches economic package

By Alison Smith

THE OPPOSITION Labour party sought to take the political initiative yesterday in the increasingly frenetic electioneering atmosphere, as it set out a six-point short-term plan to take the UK out of recession.

Mr John Major, the prime minister, and Mr Chris Patten, the Tory party chairman, broadened the attack on the prospect of higher taxes under Labour, by focusing on the economic harm they would do.

The prime minister said that substantial tax increases across the board "would not only be unwelcome, they would be economically damaging. They are precisely what this country doesn't need at the moment". Mr Patten said they would "destroy hopes of an economic recovery".

Mr Major also spelt out a key Tory attack, when he said that Labour had spent years condemning the government for "underfunding" public services and promising to correct this. This inevitably "involves expenditure and that expenditure has to be paid for".

Mr Neil Kinnock, the Labour leader, accused the prime minister of telling "whoppers". Speaking after a full day meeting of Labour's shadow cabinet Mr Kinnock said that the Tories' negative campaigning was a sign of their desperation to provide a distraction from the recession.

The campaigning is set to intensify up to the election which must be called by July 17. There are still powerful arguments for the Tories against calling the poll next month. Opinion polls have not shown a clear Tory lead, and a February election would mean losing the opportunity of the budget.

Mr John Smith, the treasury spokesman, strongly rejected Tory assertions that the increase in the top rate would damage economic recovery, pointing out that in the period of strongest growth in the mid-1980s, the top tax rate was 60 per cent.

Labour's programme includes enhanced first-year capital allowances for new investment in manufacturing; creating a new skills fund and a job experience programme; and setting up a new, cash-limited enterprise investment scheme.

BRITAIN IN BRIEF

Government overcharged by supplier

Government departments have been overcharged by millions of pounds through invoice errors by the administration's main equipment supplier, including a £6,100 demand for a job that cost £61. The National Audit Office (NAO) criticises PSA Services, the agency which maintains and equips government offices, of charging errors, a failure to recover costs satisfactorily, and weaknesses in operating a stock control system for supplying security filing equipment to government departments. Sir John Bourn, head of the NAO, the main watchdog on government spending, has qualified his certification of the accounts because demands for £85.8m of work have not been accepted by clients.

IRA 'behind Irish bank raid'

The IRA is suspected of having carried out the biggest bank raid in Ireland's history, in which five armed robbers made off with a cash haul estimated at close to I£2.5m. The raid, on Monday, was at a cash holding centre, run by the Allied Irish Bank, in the southern Irish town of Waterford, where the Irish government's Central Bank holds cash reserves, to provide liquidity to regional banks or to absorb their surpluses on a day-to-day basis.

Tool group to close plant

Bridgeport Machines, one of the UK's largest manufacturers of machine tools, is to close its manufacturing plant at Bridlington, Humberside and transfer production to Leicester. The closure is one of the biggest in the recession, which has reduced order levels in parts of the domestic machine-tool market by as much as 40 per cent over the past year. The Bridlington plant will be phased out over the next six months, and only a small number of the 182 people employed there can be offered new jobs at Leicester.

Bank balances not monitored

Many Britons do not bother to keep track of how much money they have in the bank, according to Mercantile Credit, the personal loan company owned by Barclays Bank. A survey commissioned by the company says more than half of all adults do not keep track of their bank balances and almost a third admit to spending money regardless of whether they have sufficient.

Legal help on environment

The Environmental Law Foundation has been formed to help citizens protect their local environment. The organisation has nearly 100 solicitors and barristers throughout the country who are prepared to give local groups legal advice and take a case through the courts or planning enquiries. In one case legal aid has been granted to 1,500 tenants and residents in east London living near Canary Wharf allowing them to press claims for damages of up to £10,000 each against Olympia and York, the developers, and the London Docklands Development Corporation.

Continued fall in spending

A fall in personal disposable income and continued reluctance among consumers to spend rather than save, hindered the recovery of consumer demand in the second half of last year Central Statistical Office figures have revealed. Real personal disposable income fell by 0.2 per cent in the third quarter compared with the second and by 0.6 per cent compared with the third quarter of 1990.

Shipyards may have to close

At least one of the UK's four warship builders will be forced out of business, Sir Robert Easton, chairman of the Clydeside yard Yarrow Shipbuilders, has predicted. Yarrow, part of the GEC group, is competing to build a new batch of up to three Type 23 anti-submarine frigates for the Royal Navy against the Tyneside yard Swan Hunter, Cumbria-based VSEL and the Southampton yard Vosper Thornycroft. Of the 10 Type 23 orders placed so far, six have been won by Yarrow and the remainder by Swan Hunter.

Holiday groups risk price war

Thomson, Britain's biggest holiday company, has announced discounts worth £15m and warned its rival package tour companies that they risked provoking an all-out price war. Thomson said it decided to knock an average £50 off the cost of more than 300,000 holidays in response to aggressive pricing by Airtours and Owners Abroad who are competing for second place. Owners Abroad announced price cuts last month and said it would offer free places to children on some of its holidays.

Steel jobs to be axed in Wales

British Steel has confirmed that 219 workers will be made redundant by the end of the year at the Shotton steel finishing plant in Clwyd, Wales. Another 139 are being axed at Port Talbot steel works, west Glamorgan, cutting the workforce to 4,200 - a third of the level 10 years ago.

UK to complain at TV rules

The UK government is to make a formal complaint to the European Commission over alleged discrimination against British television companies by other EC member nations. The decision follows an appeal by Central Independent Television to Mr Peter Lilley, the trade and industry secretary. Central argued that whereas under UK legislation an EC company is able to own 100 per cent of a British ITV company, in every other EC country there were some restrictions or conditions on foreign ownership.

JAPANESE INVESTMENT

NSK extends break as orders decline

By Chris Tighe

NSK, the Japanese bearings manufacturer, has extended the Christmas and new year shutdown at its European plant in the north of England until next Monday because of the impact of the recession on sales.

The 800 employees at the plant at Peterlee, in north east England, should have resumed work on January 2.

The plant, which exports 80 per cent of its output to Europe and Scandinavia, has been particularly affected by the economic slowdown in Germany, its biggest market. There has been an estimated 20 per cent drop in European market demand in the past year.

Management of NSK Bearings Europe were yesterday reluctant to discuss the possibility of short time working or redundancies but Mr Bill Constance, deputy managing director, said: "If the current recession continues we would have to consider very seriously further measures to those we have already taken."

NSK, Japan's largest bearings manufacturer and the second biggest worldwide, has invested £100m at Peterlee. Its success helped persuade Nissan to select a north east location for its car plant. NSK's automotive components division, which employs 50 at Peterlee making steering columns, is not affected.

Mr Constance said NSK had anticipated some improvement in market demand in early 1992, but it was now clear this was not going to happen in the first quarter.

Komatsu, the Japanese earth moving equipment manufacturer, was also forced by the recession to lengthen the new year closure at its sole European production plant. Its 400 employees at Birtley, Tyne and Wear, returned to work on Monday instead of January 2.

Komatsu last year shed 30 jobs at Birtley and yesterday Mr Clive Morton, personnel director, said the plant's workload for 1992 was down again.

A decision has yet to be taken on how it will cope with lower production this year.

Car plants make quality main priority

By Andrew Jack

JAPANESE car producers based in Europe are far more concerned with quality, price and the potential for developing long-term relationships than having suppliers located in close proximity, the Institute of British Geographers' (IBG) conference in Swansea, Wales, was told yesterday.

As a result, few European car component suppliers have clustered around car assembly plants operated by Japanese investors, according to Professor Ray Hudson and Mr David Sadler of Durham University's department of geography.

The conference also heard that a European Community survey found 40 per cent of component suppliers claimed to operate just-in-time production (JIT), which allows very short production cycles and delivery within a few hours.

On closer analysis, however, only 5 per cent actually used these methods. They also often applied only on a very limited range of products.

Many analysts have forecast that the European car industry would develop geographically along the lines of that in the US, where many JIT producers locate near to assemblers.

But the study found little evidence of the pattern being repeated in Europe.

Dr Sadler said the US distribution was caused by the fact only 25-30 per cent of components by value are sourced from external suppliers.

In Europe, there is a far stronger tradition of independent suppliers, representing about 50 per cent of components by value. In Japan, more than 70 per cent of components are sourced externally.

Large suppliers of important car sub-systems such as braking and engine parts were generally not located near to Japanese assemblers.

"Talk about clusters is very much overblown," said Dr Sadler.

"Japanese car assemblers are sourcing from across Europe. Only a few low value-added or very specialist components are clustered close to the plants."

The smaller degree of clustering in Europe is also the result of political pressure from national governments and the EC, he said.

He said European production capacity by Japanese investors would increase sharply by the mid 1990s.

European companies would have to respond to their requirements over the next two or three years or face increased competition from component suppliers from Japan and Eastern Europe, he added.

Academics question innovation from Far East

By Andrew Jack

JAPANESE INVESTORS in the north east of England are not as innovative as has been assumed in the past, two academics from Newcastle Polytechnic told the IBG conference yesterday.

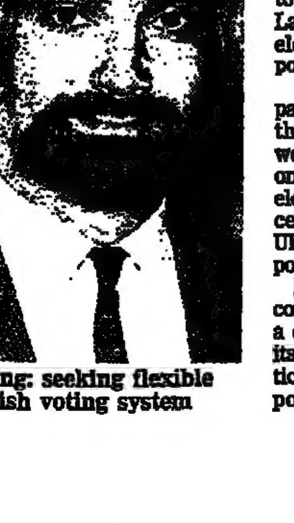
Mr Frank Peck and Mr Ian Stone said that while Japanese companies claimed to have very high incidence of modern management techniques, detailed analysis showed their actual practices were often less sophisticated.

Linguistic confusion and a desire to appear at the forefront of modern production techniques meant that the questions were often misunderstood or the answers exaggerated, they said.

Almost 70 per cent of investors, for example, said they had "single status" plants with no distinction between managers and shopfloor workers; 49 per cent said they had workers' consultative committees and 71 per cent team working.

For the Japanese investors, those figures were 100 per cent, 77 per cent and 100 per cent respectively. In each case, detailed interviews revealed that the techniques were often not applied to vital production areas.

The survey covered 84 of the 106 inward investors in manufacturing plants with more than 20 employees in the north east over the past decade.



Darling: seeking flexible Scottish voting system

German voting system favoured by Labour

A SYSTEM of proportional representation based on the German model is emerging as favourite to be chosen by the opposition Labour party as the basis for electing candidates to a proposed Scottish parliament.

Such a move by the Scottish party would not be binding on the party nationally, but it would have a strong influence on Labour's current debate on electoral reform and set a precedent for abandoning the UK's exclusively first-past-the-post electoral system.

Mr Alistair Darling, Labour's constitutional spokesman, said a consensus is "developing" in its Scottish party that an additional member system of proportional representation should be used to elect assembly members.

Labour is committed to establishing a directly elected Scottish assembly with significant legislative and tax-raising powers "at the earliest possible moment".

The preferred approach would be similar to the system used in Germany since 1948, although Mr Darling stresses that the intention is not to import it "in pure form."

"We would want to adapt it to meet circumstances that were particular to Scotland," he says.

Under the additional member format, voters cast two votes – one for an individual constituency candidate just as at present, and another for the party of their choice.

In Germany, half the seats in parliament are filled with the first-past-the-post winners, while the other half are allocated from party lists, reflecting voters' party preferences.

Mr Darling said Labour would not necessarily stick to this 50:50 ratio. If it adopted the German system totally it follows that constituencies would be twice as big as under an exclusively first-past-the-post format.

The party is veering towards the additional member approach – and away from the alternative vote model which has also been under consideration – since it would mean that a constituency link could be maintained, he says.

He nonetheless describes as "valid" the criticism most often levied against the additional member system: that it creates two classes of MPs.

Mr Darling says that Labour has "no plans" to address what it regards as the separate issue of Scottish representation at Westminster if the proposed assembly is created.

Since Scotland already numbers among those regions which are over-represented in the House of Commons, this appears to leave its plans vulnerable to opposition attack on the grounds that they would pamper an area accounting for an important slice of the party's Westminster representation.

Labour has promised that it would grant its proposed assembly the power to adjust expenditure levels by varying Scottish income tax rates. The organisation's other responsibilities would include the electricity industry, the Scottish Development Agency, industrial training and the operation of regional development policies.

The party's commission on electoral systems is due to present its recommendations to the national executive Committee later this month. Mr Darling is in Germany this week preparing a study to help the commission finalise these recommendations.

David Owen

BUSINESS AND THE ENVIRONMENT

Private talks in the park

The UK government is pressing on with its programme to privatise the maintenance of the eight royal parks in and around London despite furious opposition from the Transport and General Workers Union which represents the royal parks' 340 employees.

The scheme, the brainchild of Michael Heseltine, environment secretary, has also been criticised by some MPs and peers. But there has been no lack of tenders from landscaping and ground maintenance companies.

Heseltine sees the policy as an extension of compulsory competitive tendering which has led many local authorities to put out park maintenance to private contractors. It is estimated that this market is worth £700m a year.

The results of some of the tenders are expected to be announced in the next few days. However, it is already known that Glendale Industries, based at Chorley, Lancashire, has won the £500,000 per annum three-year contract for the maintainance of Green Park and St James's Park in central London.

Glendale has made bids for some of the other royal parks contracts. "We believe we can provide a better service in most of them and a better quality of horticulture for the same or less money than they are costing at the moment," said Tony Hewitt, managing director of Glendale.

But Ron Tindall, district officer of the TGWU, says: "It is purely political – privatisation for privatisation's sake."

Heseltine is unrepentant. "It is important that we get value for money and draw up contracts with high-quality specifications. If you make changes people always predict disaster."

The upkeep of the parks, which is the responsibility of the Environment Department, costs £29m a year. In addition to the two contracted to Glendale there are Regent's Park, Hyde Park, Greenwich, Bushey, Richmond and Kensington Gardens.

John Hunt

Christina Lamb describes how a Brazilian pulp producer has achieved sustainable growth

Chopping down rainforest myths

To be a virgin wood pulp producer in a world turning increasingly to recycled paper is unfortunate. Worse still is to be based in Brazil – which means being immediately identified with Amazonian rainforest destruction. For such a company in this shrinking market to have doubled its capacity and become the world's largest producer of eucalyptus pulp seems sheer madness.

Erling Lorentzen, chairman of Aracruz Celulose, admits that his timing could have been better. While his company has just completed a $1.2bn project to increase capacity to more than 1m tonnes per year, the pulp industry has, he says, seen a tremendous change of consumer attitudes.

Yet Aracruz has become a showcase for how a thorny environmental area can be turned into an economically feasible and environmentally sustainable development project which Lorentzen claims even the greenest of greens cannot reprove. Lorentzen, a Norwegian who came to Brazil in 1953, sees it as his challenge to convert a suspicious world to the use of paper produced from sustainable forestry.

Not only has his company invested heavily in forestry, always met 100 per cent of its pulp needs from plantations and planted 1.5m native trees to preserve biodiversity, but he has hired an environmental director and a British PR company to plead his case. He is also lobbying hard for next year's World Environment Conference in Rio to use paper from his pulp.

"Paper produced from sustainable forestry may not have the same ring about it as recycled paper," admits Gordon Knight, PR adviser for Aracruz, "but it is better than recycled paper because with recycling one does not know where the original came from. We need to break this myth that saving paper saves rainforests."

Aracruz is well qualified to do this. Its pioneering forestry work has won international recognition such as the prestigious Marcus Wallenberg Prize in 1984 and it will feature as a case study of responsible environmental management in a book being compiled by the Business Council for Sustainable Development to coincide with the Earth Summit.

So developed now is its technology that the Aracruz forestry team, led by Yara Ikemori, is exporting seeds back to Australia from where the company initially bought them. Its techniques are also used in South Africa, Spain, Portugal, Argentina and Colombia.

Aracruz has developed the perfect eucalyptus tree – one which grows quickly with a minimum of side branches in order to reduce the amount of land needed for plantation. Carlos Roxo, the environmental director, explains: "Through genetic engineering we've adapted the tree to the local environment and tried to get the best tree for the area in terms of disease resistance and fibre quality."

The tree improvement programme began in 1978 when Aracruz bought seeds from places with similar conditions such as Indonesia and Australia. As Brazil could not obtain foreign technology the company sent scientists such as Ikemori abroad to places like the Oxford Forestry Institute. According to Ikemori: "By 1980 we could select the best trees and propagate them."

Having found the best tree Roxo says the turning point was "realising we could produce trees much faster and better through a cloning process than with seeds". The simple method is based on planting eucalyptus from propagated rooted cuttings. When trees are felled the stumps have an average of 30 sprouts, each of which is cut into three parts and planted. After 75 days a seedling develops and is planted.

Not only is this quicker than using seeds but the cuttings grow with exactly the same characteristics as the mother tree, whereas seeds display variation. Brazil's climatic conditions mean planting can occur the whole year round. Aracruz plants an average of 100,000 seedlings and rooted cuttings per day. So far the company has planted 133,000 of its 200,000 hectares.

Aracruz trees take only seven years to reach a mature height of 35 metres compared with 12 years in Spain and Portugal and 35 years for pine trees in northern Europe. According to Roxo, Aracruz's average yield is 35 cubic metres compared with a Brazilian average of 18 and a European of three. "This means we need 10 times less area than in Europe," he says.

Ecologists complain that eucalyptus plantations damage the soil, encroach into native forest and reduce biodiversity, but the Aracruz team rebuts these charges. The soil is monitored continually and nutrients added; careful land planning means the plantations have never encroached. For variation Aracruz now has more than 100 clonal banks – each developed for a particular soil and considered a new species. Lineu Siqueira, environmental resources manager, heads a programme to preserve the remaining original forest in which he has so far identified 156 bird, 36 mammal and 3,000 insect species.

The area around the Aracruz mills on the palm-fringed coastline of Espirito Santo state resembles a chequerboard with row after row of eucalyptus trees like upturned broomsticks standing to attention, interspersed with darker green patches of remaining native forest – one hectare for every 2.4 of eucalyptus.

The landscape is different from when Aracruz bought the land and started plantations in 1967. The coastal Atlantic forest had been almost entirely stripped by farmers, cattle raisers, loggers and charcoal burners, leaving land suitable only for coffee plantations.

"Eucalyptus should really be treated like sugar cane as a crop – one which produces huge volumes of wood in a very short time," explains Roxo. "We do not cut the Amazon and replace it with eucalyptus – we plant on land a few thousand kilometres away which has already lost biodiversity and doesn't generate anything. By giving this land an economic function we are preventing further incursion into the Amazon."

As part of this aim seedlings and credit are distributed to local farmers to plant eucalyptus on degraded land. This prevents them from cutting down trees to sell for fuel.

"People cannot say that others have no right to cut down trees even if that's the only way they can earn a living," believes Lorentzen. "The way to both help them and relieve pressure on forests is through development and you cannot give people anything better than a job".

Lorentzen, who was one of the first signatories of the Business Charter for Sustainable Development, is the leading Brazilian crusader for industry to adopt environmental protection measures.

Aside from its forestry programme the company has spent nearly $300m on environmental measures including a $100m project to introduce a chlorine-free bleaching process. Aracruz generates almost all its own power. Effluents go through primary treatment, then enter a series of six lagoons before being discharged into the sea 1.7km away from the coast.

Lorentzen maintains that environmental protection measures may be costly but necessary. In his case they also make good business sense: "We export 80 per cent of our production so we have to ensure that our product is environmentally acceptable to our clients and their customers in Europe and the US." Aracruz issues clients with a policy resolve which they can show to customers who may be tending towards recycled paper. "It's not only our philosophy it's our self defence," he says.

Recycling scheme takes 'soft' option

By John Thornhill

The current heated debate about what to do with the world's waste was given a boost yesterday as Gateway, the UK food retailer, pitched in with a study which suggested that Britain could recover 80 per cent of household waste for recycling in a way which would make both environmental and economic sense.

The report argued that the UK could achieve the highest waste recovery and recycling rates in Europe mainly by concentrating on recovering the organic fraction of domestic waste which constitutes 60 per cent of its volume.

Most other recycling schemes have been almost exclusively devoted to re-using the "hard" elements of domestic rubbish such as glass, metals, paper and plastics, and have largely ignored the potential for recovering "soft" materials such as soiled paper and putrescibles (waste food and garden clippings).

The report suggests these soft materials could be be used to produce a contaminant-free compost using the WMC process – a British technology capable of separating organic material from the rest of the domestic waste stream.

Research at the Long Ashton Research Station, a government institute, has shown that the compost produced by this process has very similar properties to the best of the commercial, peat-based composts.

The report proposes that a full-scale commercial experiment should be conducted to test the viability of the WMC process. The scheme could be financed by the creation of a National Recycling Fund which would levy a small recycling tax on packaging materials and newsprint. The fund could also pay for the creation of a comprehensive national system of banks for glass, metals, plastics, paper, textiles and batteries.

Gateway commissioned the report from Landbank Consultancy, an environmental group headed by Bryn Jones, a former chairman of Greenpeace, as part of a programme of environmental research in the packaging field.

Its aim was to establish an effective alternative to the German "Dual System" which – to the horror of large segments of the international packaging industry – has set the benchmark for waste recovery and recycling schemes throughout Europe. The report criticises the German system, which has created a separate industrial system for recovering waste, as being an expensive duplication of existing waste collection networks.

Gateway's Warm (Waste As a Raw Material) proposals will now be sent to every local authority in the UK in an effort to shape the course of the debate. "We would like to take recycling out of the commercial-political environment and make it a national issue. What we really need is an integrated national recycling scheme," says Jones.

The Landbank Consultancy has, however, established a reputation for coming to controversial conclusions. An earlier report it produced for Gateway attempting to assess the "cradle-to-grave" impact of various packaging products was fiercely criticised by many sections of the industry – even though it formed the basis of a drive by Gateway to reduce the energy content of its packages by 50 per cent over the next five years.

Elements of the Warm study are also likely to draw fire, especially the comparison of the economic benefits of door-to-door collection systems and recycling banks.

Several recycling projects in North America and Europe, such as that being conducted by the European Recovery and Recycling Association in Adur District in Sussex, have attempted to establish a commercially-driven kerbside recycling system. But Jones argues: "It does not make commercial sense to use more energy collecting the stuff than can be gained from recycling it."

Instead the Warm propose' argue for an intensive netw.. of recycling banks for metals, plastics and glass at a density of one bank for every 400 households combined with banks for recovering newspapers and textiles at a density of one bank for every 2,000 households.

MANAGEMENT

John Thornhill and Alice Rawsthorn investigate the background to tensions between Britain's largest clothes retailer and its suppliers

Why sparks are flying

When the managers of a Midlands clothing company or a Yorkshire woollen mill talk about preparing for a "royal visit", they are less likely to be referring to the Queen than a delegation from Marks and Spencer.

Suppliers tell how factories are repainted, new uniforms issued and machinery scrubbed spotless in preparation for these visits. Such reverence speaks volumes about the exacting standards that M and S demands from its manufacturers. It also says much about the power that M and S exercises over them.

M and S, or "Baker Street" as its suppliers like to call it in reference to its head office, has dominated the UK's textile and clothing companies for decades. It is also an important customer for a string of other manufacturing industries such as food, drink, cosmetics and furniture.

This year, M and S will buy more than £4.5bn of goods from its suppliers with more than 80 per cent of them manufactured in the UK. Baker Street is not only the biggest single customer of Britain's clothing companies – buying at least a quarter of all the clothing made in the country – it also exercises enormous influence over the whole industry's development.

Clinton Silver, M and S's deputy chairman responsible for merchandise procurement, even suggests the company has helped save the sector. "If we had a policy of buying as cheaply as we could and played harlot from supplier to supplier abroad, there would be no British textile industry," he says. Many in the industry accept that this is true.

Through its network of overseas stores, M and S has also been a significant exporter of UK goods. It accounts for 25 per cent of all UK clothing exports and achieves the impressive feat of selling fashion goods to France and British-made shirts to Hong Kong.

Yet some manufacturers now suggest that this unique relationship – the envy of the retailing world – is under threat. Tensions are arising as a result of the recession and the shortening lead times in the supply chain that have resulted from greater use of information technology – a trend known in industry jargon as Quick Response.

Over the years the suppliers have privately grumbled about the company and its tough negotiating tactics. But in recent months the grumbles have become much louder. Some suppliers – notably Steilmann, the German clothing group – have been groaning in public.

These criticisms have been inflamed by the news of cutbacks at several long-established suppliers such as SR Gent, fuelling speculation that M and S has become even tougher, even too tough, with its manufacturers.

The manner of M and S's dealings has also attracted fire and its decision to share the costs of the VAT increase between itself and its suppliers rather than raising prices provoked considerable antagonism. The head of one big clothing group said he was called into Baker Street and simply instructed to comply with the decision in "an appallingly arrogant manner". Another supplier described the group's behaviour as "outrageously high-handed".

Silver, who has been at M and S for 40 years, seems unruffled by such criticisms although he accepts that the current recession has indeed exposed many difficulties. "Recession finds out a number of problems and we had a new experience for me. A half a dozen of our suppliers went bankrupt," he says.

But although he greatly regrets these corporate collapses he vehemently rejects the charge that they were in any way the fault of M and S. "I would say that every single one of them was tied up in imprudent financial activity taking over companies and expanding on the basis of debts which they were then unable to service," he says.

M and S accepts it is "no pussycat" when it comes to negotiating with its suppliers but points out that many of its manufacturers have built their businesses on the back of M and S's success. "They have grown from little rag trade businesses into successful public companies," says Silver proudly.

Many of these trading relationships stretch back 25, 50 or even 100 years and both sides have developed an intimate knowledge of each other's businesses, he says. Senior M and S directors meet the boards of each of its major suppliers twice a year where there are the "the frankest of discussions" according to Silver.

Martin Taylor, chief executive of Courtaulds Textiles, says it is "stupid" for suppliers to blame M and S for their problems. He argues that the company simply acts as a transmission mechanism telling the companies what consumers are prepared to pay.

Another industry figure comments: "M and S is a tough negotiator on price, but so it always has been. If M and S seems tough with suppliers at present, that is a reflection of market conditions."

The rumpus over M and S's relations with its suppliers reflects the broader problems confronting the clothing industry. UK clothing companies have steadily lost share of their domestic market to lower cost producers from Asia, and more recently, Africa. The recession has merely accelerated the process, especially with the dollar standing where it does against sterling.

Whether it likes it or not, M and S will find it increasingly difficult to continue to source clothing at a competitive cost in the UK. The fact that the proportion of goods the company buys in the UK has fallen over the past 40 years from 99 per cent to 83 per cent is indicative of the trend.

Baker Street already buys some goods direct from the Far East although mainly for the top tiers of its catalogue. "If you want hand-embroidered knitwear you have to go to the nimble fingers of the Far East," Silver says.

But he adds that M and S buys the overwhelming majority of the goods from the Far East through its existing UK suppliers, such as Courtaulds, Coats Viyella, SR Gent and William Baird, in order to preserve quality standards and simplify warehousing and distribution arrangements.

But M and S would still prefer to have a strong flexible supplier base close to hand and has even encouraged overseas manufacturers to set up in the UK. For example, Delta, an Israeli manufacturer of leisurewear and underwear, has recently opened a factory in Scotland partly as a result of M and S's prompting.

Silver argues that having a responsive local manufacturing base allows the retailer to work closely with the manufacturer to develop new products. He cites the example of machine-washable lambswool fabrics, and easy-to-iron cotton shirts which he describes as representing "the essence of Marks and Spencer".

The massive investment that the best UK clothing companies have made in advanced manufacturing systems has also enabled them to retain a competitive edge in terms of speed, cost and flexibility. Designs of shirts which previously took weeks to change can now be altered in a matter of hours using computer-aided design and manufacturing techniques.

Electronic data interchange (EDI) links have also been established between M and S and its suppliers allowing the supply chain to be managed more effectively. "You do not just place a contract and wave goodbye to it. Sizes and colours can be altered as the public expresses its interest," Silver says.

But although such flexibility is of great advantage to M and S, it can turn out to be a nightmare for the supplier, which increasingly has to stock up with raw materials in advance of orders and second-guess future levels of demand.

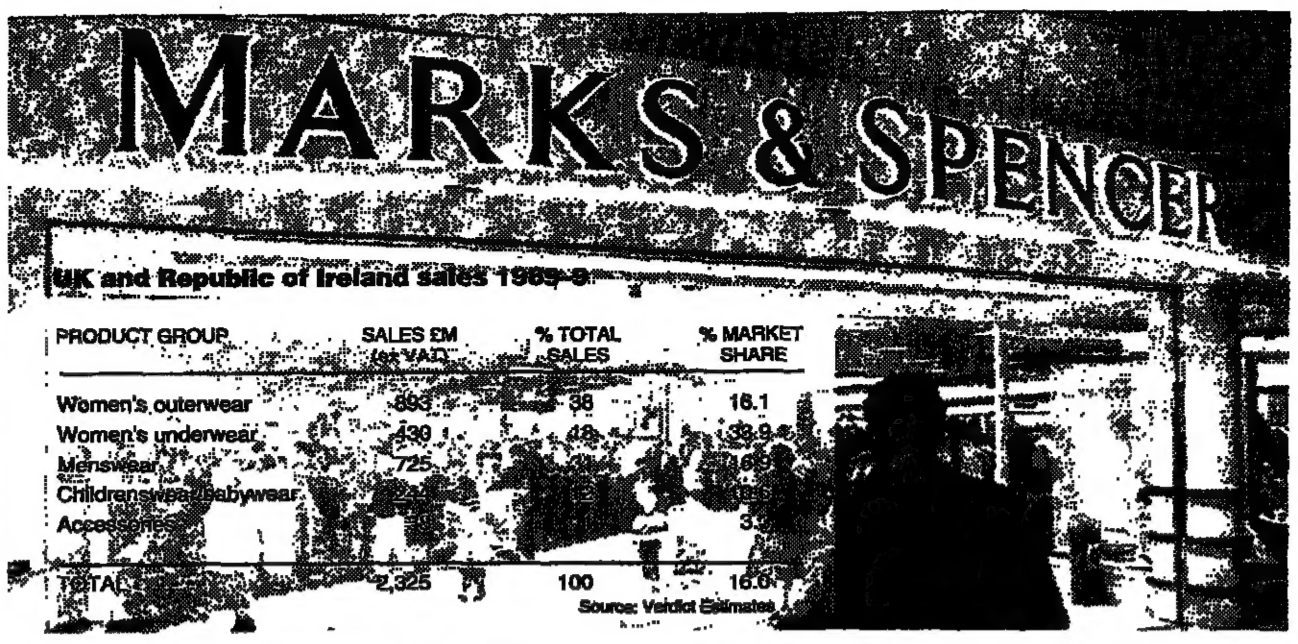
Silver accepts that quick response – or fast response as he calls it – can cause problems but argues that it has to be seen within the context of a stable trading relationship with regular predictable bulk orders being placed for about 80 per cent of its products. For example, in the summer M and S knows that 60 per cent of its women's blouses will be white.

"There is no point in moaning about it," said one womenswear supplier. "We have all got to meet the technological challenge whether we like it or not and make sure that the right quantities arrive at the right quality when they are required."

Whatever the tensions in the relationship, there is a widespread recognition that suppliers would rather deal with M and S than most other retailers. "M and S is always scrupulous in its dealings," says Taylor of Courtaulds. "They do not send back garments for spurious reasons. And M and S always, always pays on time."

M and S has indeed helped shelter the UK clothing industry from the coldest winds of international competition. But its ability to do so, while remaining fully competitive on the high street, will be sorely tested in the coming months as recession persists.

The clothing industry is grimly bracing itself for another rash of casualties.



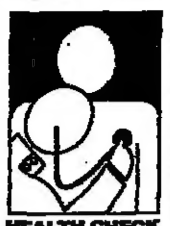
UK and Republic of Ireland sales 1989-9

PRODUCT GROUP	SALES £M (ex VAT)	% TOTAL SALES	% MARKET SHARE
Women's outerwear	893	38	16.1
Women's underwear	430	[illegible]	33.9
Menswear	725	[illegible]	[illegible]
Childrenswear/babywear	244	[illegible]	[illegible]
Accessories	[illegible]	[illegible]	[illegible]
TOTAL	2,325	100	16.6

Source: Verdict Estimates

Put the stress on self-preservation

By Dr Michael McGannon



HEALTH CHECK

There is no such thing as executive stress. At least that is what many of you seem to think as you ignore the warning signs that could eventually spoil your job prospects and damage your health.

Stress in itself is neither good nor bad. It occurs when the body and the mind are in a state of extreme alert because of some new demand or challenge. A limited amount of stress can actually be good for you and your company. But once the stress becomes intense it overwhelms your ability to cope. Your performance starts to suffer, as does the quality of your life.

Fighting stress to convert it into a healthy experience can be difficult, as it means changing your lifestyle and your priorities.

Where to begin then? The first step is to broaden your definition of success to include self-preservation (for the family and friends) and self-fulfilment. Do not exchange precious years of your life, your marriage or your health for one more rung on the career ladder.

Secondly, listen carefully to your body and your mind. Start to decipher individual signs and symptoms, not as something to anaesthetize, but as red flags warning of a potentially serious problem.

The symptoms that I frequently encounter in multinational executives include: high blood pressure, chronic fatigue, nervous eating-drinking, sleeplessness, peptic ulcers, emotional problems, tension headaches, obesity and depression.

Our nervous system has evolved much more slowly than our lifestyles. What may have been a perfectly appropriate response for our cave-dwelling ancestors to a physical stress no longer serves the 20th century business person.

During the stressful moment, the adrenal glands secrete two powerful "stress-hormones": adrenalin and corticoids, which will provide the energy to meet the new demand through either fight or flight.

Both actions help consume these stress hormones but neither are appropriate in today's offices. Instead, the executive is left stewing in his or her own stress juices in front of the computer.

A new strategy is called for to decompress this situation. At the moment when the body and the mind scream for something as basic as oxygen (for the proper functioning of the brain, heart and other vital organs) or water (to cool an otherwise overheated system), modern managers reach for alcohol (which depresses lucidity and forces the body to lose precious water) or cigarettes (which decreases oxygen-carrying capacity of the blood). Sometimes the response to stress is more dangerous than the stress itself. Ask yourself: is this part of the solution or part of the problem?

After deciphering your symptoms, you must go for the long-term treatment ticket, the "cure". In doing so, you may or may not find alliances in the medical community. To treat an acute, short burst of stress with tranquillisers, "sleepers", ulcer and headache medications may be entirely appropriate. However, to treat long term, chronic stress with medications simply silences the alarms that the symptoms are sending out.

The real cure may be something relatively simple like losing weight, stopping smoking, taking regular exercise, drinking less, or going on holiday. It may be something more complex involving psycho-therapy. Either way, nature is unforgiving to us when we ignore its messages.

Lastly, have the courage to talk about it. Seek help from a friend, your spouse, a member of the clergy, or a professional therapist. Stress already has a long and illustrious cortège of victims. With an honest and rational approach, stress can be converted from a serial killer of international managers to an opportunity for self-knowledge and growth. Don't forget: life is the real career, not just business.

The author is medical director of INSEAD's business-health course.

GOVERNMENT CONTRACTS

Announcement by the Review Board

The Independent Review Board for Government Contracts is now embarking on the seventh comprehensive General Review of the profit formula used for pricing non-competitive Government Contracts.

The Board will take into consideration written representations on any aspect of the profit formula which are received before 29 February 1992. The Government and the Confederation of British Industry may be asked to comment on a submission unless the author has objected to its disclosure.

Issued by:
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ARTS

Jean-François Gardeil, Gilles Ragon and Sophie Marin-Degor

Lully's 'Alceste' in Paris

Some centenaries work. Lully's tercentenary came in 1987: in Paris the echoes have not died down but rather increased. From being a respected name in books and useful provider of warmers-up for song recitals, he is climbing up the classical charts. At the Champs-Elysées, the beautiful theatre now one of the city's auxiliary opera houses, a spectacular staging of his *Alceste* brilliantly inaugurates a series of annual Lully revivals, backed up by concert performances of relevant works (Gluck's *Alceste* included), lectures, exhibitions, sumptuously illustrated handbooks about "tragédie lyrique". At the Opéra-Comique they are reviving the Arts Florissants production of *Atys* which won much praise in the tercentenary year.

No half-measures or cheese-paring over *Alceste*. Producer Jean-Louis Martinoty has surrounded himself with a team of talents – Hans Schavernoch (sets), Daniel Ogier (costumes), Jacques Benyeta (lighting). The choreography, essential feature of an opera written by an expert dancer for a society mad about dancing, is by Marie-Geneviève Massé and François Raffinot. The Compagnie Barocco provides the dancers. Someone recently described Lully as "the Diaghilev of his time, but a Diaghilev who could compose like Stravinsky and dance like Nijinsky". That is not all: he coached, conducted and produced. Only Wagner rivalled him, and he didn't dance.

Preparations for the first *Alceste* in 1674 were shared between Versailles and Paris, the heavy transport expenses for scenery and machines paid by the passionately interested Louis XIV, who attended rehearsals when he could. Because of court mourning the premiere took place not at Versailles but in Paris in the Palais Royal, the public theatre where Lully's operas were shown sooner or later to enthusiastic audiences ready to go again and again. Since Lully had a monopoly, there were no alternative choices.

Alceste was the second of the "tragédies lyriques" Lully wrote with Philippe Quinault, whose exceptional gifts as a librettist are now recognised again. There are many differences from the version of the story used by Gluck. Alceste is betrothed but not yet married to Admète. Alcide (Hercules) plays an important role: he loves Alceste devotedly. Having retrieved her from the underworld after she has sacrificed herself to save Admète (wounded in battle), he nobly gives her up to the man she loves. Lycomède, King of Skyros, is also in love with her.

Comedy mingles freely with the serious matter. Alcide and Lycomède have confidants, Lychas and Straton, both in hot pursuit of Alceste's confidante Céphise, whose view of morality is in complete contrast – she welcomes both young men and would like more. One famous episode is the rough and ready but not unfriendly treatment by Caron (Charon) of the dead souls clamouring to cross the Styx in his bark.

It is the great achievement of this staging that the producer, aided by Quinault and Lully's dramaturgical and musical skills, has ensured that the darker moments – Alceste and Admète grieving for his approaching death, the long scene of public mourning for Alceste, and most of all the sacrifice of Alcide, stand out strongly from the comedy and the mass of spectacle and movement. An art-form long regarded as dauntingly old-fashioned and overcomplicated is now, with each major revival of Lully or Rameau, being revealed as full of life, relevance, entertainment value and, given the means, eminently stageworthy.

Schavernoch's designs boldly and imaginatively blend French Baroque with modern styles. There are machines galore – gods and goddesses descend from the skies on puffy silver clouds, fat little Cupids fly about, huge blown-up photographs of formal gardens or seascapes are viewed through tall windows with giant Venetian blinds with revolving slats polished like mirrors. There is a stunning effect when they reflect a floor-cloth painted like a baroque ceiling. Costumes are Baroque theatre traditional, worn in the French way with pride and unselfconsciousness.

As the heroine, Colette Alliot-Lugaz gives yet another enchanting performance. She uses more, and more convincing, period gesture than anyone else. Howard Crook sings Admète with his usual poise. No-one could make the character seem worth so much sacrifice. Jean-Philippe Lafont asked indulgence for a bad throat, but his Alcide is a noble, commanding, moving figure. He is one of the lucky ones who can dominate a stage while keeping still. François Loup mops and mows as the oily Lycomède. The comedy roles are in the expert hands of Sophie Marin-Degor (Céphise), Gilles Ragon (Lychas), Jean-François Gardeil (Straton), Gregory Reinhart (Caron), Michel Gens (Phérès). In the big mourning scene the voice of Véronique Gens rings out finely.

One stumbling block of tragédie lyrique has always appeared to be the recitative for which Lully studied in detail the declamation of leading players of spoken theatre. Now we have a generation of singers who can perform these scenes clearly and naturally. And because so many of Quinault's lines are simple, direct and even witty, these same recitatives, weaving in and out of short, expressive "airs", become a positive pleasure. Spectacle is indeed an essential part of French serious opera, but the words remain paramount. In Lully's day the libretto was published in advance, studied, and taken to the theatre.

The Grande Ecurie et La Chambre du Roy (orchestra, authentic instruments) and the lively Ensemble Vocal Sagittarius (chorus), were under the direction of Jean-Claude Malgoire, who firmly outlined the shape and varying moods of the score even if one missed the greater rhythmic buoyancy and keener textures of other ensembles of this kind. The opera is given, so far as I could tell, virtually uncut.

Dresden and Vienna contributed painted cloths, British firms supplied engineering and lighting technology. The list of technical personnel is as long as their handling is efficient. Paris programmes are less specific than ours about financial support. I gather sponsorship came from the Conseil Supérieur du Mécenat Culturel and the Caisse des depôts et consignation. *Alceste* is a co-production with Montpellier.

Ronald Crichton

Dog in a Manger

COCKPIT THEATRE, NW8

I have seen only five plays by the Spanish master Lope de Vega (1562-1635) – he wrote at least 500, possibly 800 – but what staggers me about these few is the way he shows love and jealousy as subversive forces. Here is another superb work, which, though here receiving its first professional production in Britain, is, according to the advance blurb, perhaps the most enduringly popular of them all.

The eponymous dog in a manger is a countess, Diana. No sooner does she find that her secretary Teodoro is paying clandestine attentions to her lady-in-waiting Marcela that she realises she loves him herself. Which should rule – love or social propriety? She vacillates: she wins his love, she rejects it, she punishes Marcela, she sends him away, she keeps him at court. She treats him, as Marcela remarks, like a bucket in a well – raising him only to empty him, lowering him only to desire him.

Dog in a Manger is a comedy. That is, Lope makes it richly funny and gives it a happy ending, sort of. Yet its central situation is so real and disturbing that until the last minute we don't know how it will end. Or even how we want it to end. There is a wonderful ambiguity about both Diana and Teodoro. How much is her love really just possessive jealousy? And how much is his love sheer ambition? Lope never quite makes them that transparent to us, but he makes them wonderfully intense. In the most burning scene of confused emotions, Diana boxes Teodoro's nose and makes him bleed; but he, amid his shock, longs to "stroke the hand that struck."

De Musset treated a similar subject in *Don't Play With Love*, recently broadcast on BBC radio, though the twists and turns of his plot culminate in a bitter conclusion. The thrill of Lope's play lies in its tragicomic shifts of tone; and its floods of oxymorons and imagery. Teodoro compares the Countess to the sun, and himself to Icarus, sure to fall for flying so near the heat; but later he likens her to a mere sunflower, turning her head this way and that. The Countess reminds him that her name is Diana, the moon, and that he may ascend into the moonlight without scorching. At her next rejection, therefore, he sees himself to a wolf howling for the moon. And so the language blooms in quick accord with the plot.

The translation, by John Farndon, indulges in expletives and terms of abuse that, though funny, are out of character. It is, however, fresh and fluent and often uses rhyming quatrameters with surprising success. The staging, which Martin Lloyd-Evans directs and which was seen on the 1991 Edinburgh Fringe, is not for refined connoisseurs of verse-speaking or gesture – and yet I have known more experienced actors turn Spanish baroque drama into something far more flat, repressed and unlyrical. Jane Hillier (Diana) and David Howarth (Teodoro) lead a cast who relish all the vigour, surprises and range of this exhilarating play.

Alastair Macaulay

TELEVISION

Making a drama out of a movie

Several times over the years this column has complained about the broadcasters' habit of applying the word "Film" to pieces of fiction which have never had a proper cinema release. Quite often the production has had nothing whatsoever to do with the cinema and yet it is tagged in *Radio Times* with the reversed white-on-black "Film" logo normally applied to real movies, and in *TV Times* with the even more explicit black-on-white "Film" logo with sprocket holes down the sides which unmistakably symbolises celluloid and, to most viewers, says "This is a real movie". Many newspapers have adopted a similar device which most use not at their own discretion but when advised to by the broadcasters.

Before going any further let us deal with that word "movie": it has only one meaning and everyone understands it, whereas a "film" can be anything from the little spool on which you take your holiday snaps to a wildlife documentary by David Attenborough. Thus "movie" will be the word used here to mean a feature film made for the cinema.

But why all the fuss? There is, surely, less and less distinction between fiction made for the cinema and for television; does anybody really care any more? Ten years ago, as we approached the launch of Channel 4, that was becoming a popular attitude. Channel 4 proposed to use its drama budget and its corporate clout to destroy the differences. The chronically troubled British cinema was to be revivified by British television (long the repository of drama talents which in the US or France would have lived solely in cinema) and work such as *The Company Of Wolves*, *The Draughtsman's Contract* and *My Beautiful Laundrette* would be either commissioned or co-produced by Channel 4 and shown on both large and small screens.

At the time this policy seemed not only attractive but inspired and almost heroic. Simultaneously we were getting used to the American idea of a pecking order for movie release, starting with metropolitan cinemas and moving on to local cinemas, video rental outlets, satellite subscription channels, pay cable, terrestrial television, sell-through video and local television. There was, furthermore much talk of "convergence", meaning the tendency of all the mass media and information industries – film, video, computer games, television, Reuters reports – to converge on the customer's VDU. Under these circumstances what could it matter whether a bit of fiction had originally been intended for the cinema or for television?

Ten years ago I would have subscribed to the convergence theory, and put considerable faith in Channel 4's drive to dismantle the barriers. But a decade later, having watched not only the three comparatively successful works named above but also a succession of hybrids such as *The Ploughman's Lunch*, *Good And Bad At Games* and *Remembrance*, lacking both the power of continuity that you get with good television drama series, and the "big occasion" feel of real movies, I find myself once again deeply suspicious of the claim that there are no significant differences. With the word "convergence" slumbering again in the dictionary and Channel 4 having pretty well abandoned its hybrid policy, the Christmas and New Year holiday, with its scores of television dramas and movies of all vintages, seemed like an ideal occasion to do a little survey.

The result was far more definite than I would have expected. Once in a blue moon you will find a movie which television might have produced as one of its own dramas. *Baby Boom*, for instance, with Diane Keaton playing a New York yuppie who "inherits" a baby in a will, drops out of the rat race, and ends up making gourmet baby food in Vermont, could perfectly well have been made for television. Yet it would inevitably have been a series, not a one-off, and the whole idea would have been stretched out like chewing gum, thin and sagging in the middle. Not that the movie was any great shakes.

'With television you are perpetually aware that the material has been officially "approved"'

Even more rarely you come across a television production which could conceivably have been created for the cinema, for example BBC1's *Bernard And The Genie*, in which Lenny Henry played a cool genie making his first appearance for a couple of millennia, and for the first time outside the Middle East. Many of the lines were well up to the standard you would expect from Richard Curtis, who co-wrote the *Blackadder* series:

"You *met* Jesus?"

"Of course. He helped out with the wine at my brother's wedding".

And, "If I could just memorise the songs of Mr Barry White I could snog every babe from Mount Hebron to the Red Sea".

One of the reasons this seemed so atypical of television (British television, anyway) is that it was full of magic and special effects, and thus non-naturalistic. The new British drama in the last fortnight, both one-offs and series, has shown once again, as though we needed showing, that the home industry is dedicated unwaveringly to realism, either social realism (agonising family situations) and/or, more commonly still, surface realism. No matter how far fetched the plots of *Miss Marple* or *Poirot*, no matter how incongruous the accents, the sets and locations are dressed with an obsession for surface detail which now amounts to fetish. I cannot swear to it, but I believe I saw the handle of a 1950s Gaggia espresso coffee machine behind David Suchet's head in the supposedly 1936 setting of "The ABC Murders" on ITV on Sunday: that is the sort of point-scoring to which we are being driven.

The *more you watch and the more you* compare, the clearer becomes the difference between movies and television drama. With television you are perpetually aware that the material has been officially "approved" by some bossyboots who sincerely believes that he knows better than you do what is good for you. Of course cinema has had to put up with the Hays Office and the British Board of Film Censors, yet despite such bodies there has always been greater freedom in the cinema. Even something as simple and funny as the free-wheeling sexuality in *A Fish Called Wanda*, shown on BBC1, with Jamie Lee Curtis turned on by her lovers speaking Italian or Russian is difficult to imagine in a television originated fiction.

The most telling evidence, however, was in BBC1's screening of *The Accused* last Thursday. This movie, with Jodie Foster playing a young woman who is gang-raped in a bar after she has been drinking, smoking pot, and giving an exhibition of suggestive dancing, has been criticised as "exploitive" because it includes an explicit depiction of the rapes. It may be legitimate to argue that the scene should not be there at all, though to me it seems essential since it is the viciousness of the men's behaviour – the foul language of the hysterical onlookers as well as the brutality of the actual rapists – which will silence those viewers who argue "She asked for it". No woman ever asks for that.

What is surely not legitimate is to re-edit that scene, as the BBC did, cutting out the swear words and deleting the painful and horrifying scenes from the rapes, so that it all becomes that much more harmless and acceptable. Not only does this destroy the power of the scene to silence the apologists, it also obscures the second and perhaps even more important message: that rape has practically nothing to do with sex and everything to do with violence. The BBC behaved like some dim old fool taking a knife to the private parts of all the nudes in the National Gallery to "save" the rest of us from "offence": an act guaranteed to insult the artist, the subject, and the public.

Worst of all, having bowdlerised the movie, they then had the cheek to send out billings, to be accompanied by all those "Film" logos, claiming to offer "The first showing on network television of this graphic and disturbing drama" for all the world as though they really were showing the work as directed by Jonathan Kaplan and including the full Oscar-winning performance of Jodie Foster. The time has surely come for programme journals and newspapers to take it upon themselves to explain when a movie is really a movie and when it is something different.

Christopher Dunkley

Sophisticated Ladies

GLOBE THEATRE

People who saw *Sophisticated Ladies*, a celebration of Duke Ellington, in New York and Paris in the mid-1980s still speak of it with great admiration and affection. The production that has finally appeared in London is not on that level. In short, it is not sophisticated.

The Globe is a relatively small theatre – too small for this kind of tribute. An 11-man band plus leader sits not in the pit but on the stage, taking up more than half the space and thus leaving little room for anything else. When staircases are introduced at the sides to give height, they look distinctly wobbly. No-one is going to dance the night away in these conditions.

Although the second half is better than the first, almost to the point of it being advisable to arrive at the interval, there are imperfections throughout. "Sophistication" is one of those relative words that mean different things to different audiences: it does not apply to these ladies. There is a plentiful supply of legs: indeed at times one was reminded of the old Television Toppers in the days of the BBC monopoly. The faces are as pretty as the legs, but on the whole these girls tend to alternate between the three little maids from school variety and ordinary tarts.

The men are in an altogether higher class, notably Horace Oliver, a 19-year-old who has already done a national tour with

Jacqueline Dankworth

42nd Street and appeared in *Porgy and Bess* at Glyndebourne. Oliver leads the gang in "Drop Me Off in Harlem" and later does a splendid competitive tap dance with Jon Peterson. That is one of the peaks of the evening.

Other memories that linger are the insistent bass-playing by Frazer Snell and the piano-playing of Malcolm Newton. Jacqueline Dankworth, daughter of Cleo Laine, has a plausible shot at "In a Sentimental Mood", but it is not much more.

The main puzzle is why a show which on the face of it seems to promise so much should turn out to be so disappointing. Part of the answer lies in the lack of variety. It would seem almost impossible to fail with a song like "I'm Beginning to See the Light", yet if you belt it out as if it were "When the Saints Go Marching In", the subtlety – the very light and shade that the song is about – are lost. There are very few changes of mood in this production.

Lack of variety is underlined by the almost entire absence of dialogue. Since there are no characters, there is no characterisation. There is also no story. The piece could do with the odd joke or stroke of wit and at least some differentiation. In this production, it is not a patch on *Swell Party*, the Cole Porter story at the Vaudeville. In the end *Sophisticated Ladies* fails because it does not live up to the title. Perhaps it is being done on the cheap. That is not what sophistication is about. The direction is by Roger Haines.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Nikolaus Harnoncourt conducts the Royal Concertgebouw Orchestra in music by Mozart and Schubert, with piano soloist Maria Ben and soprano Charlotte Margiono, repeated tomorrow.

– In the Kleine Zaal tonight at 20.15: Gustav Leonhardt and members of the Kuijken family play music by Bach and Couperin. Sat at 15.00: Valery Gergiev conducts the Rotterdam Philharmonic Orchestra (6718 345). Fri and Sun in Muziektheater: Offenbach's Les brigands (6255 455/credit card bookings 6211 211)

BERLIN

Deutsche Oper 19.30 Stefan Soltesz conducts Götz Friedrich's production of Turandot, with Gwyneth Jones in the title role. Tomorrow: Zar und Zimmermann (West Berlin 3410 249)

BIRMINGHAM

Symphony Hall 19.30 Lawrence Foster conducts the City of Birmingham Symphony Orchestra in music by Wagner, with Anne Evans, also Sat. (021-212 3333)

BONN

Oper 20.00 Hans Graf conducts Don Giovanni, with a cast including Benjamin Luxon and Inga Nielsen. Sat: Ronald Hynd's ballet Rosalinde. Sun: Orfeo ed Euridice (773667). Fri in Beethovenhalle: Michael Schoenwandt conducts music by Glinka, Gubaidulina and Schubert (773666)

HAMBURG

Staatsoper 19.00 Placido Domingo sings the title role in a gala performance of Verdi's Otello. Tomorrow and Sat: Bernhard Klee conducts Marco Arturo Marelli's new production of Cosi fan tutte. Sun: first night of Requiem, John Neumeier's new ballet with music by Mozart (351721)

Deutsches Schauspielhaus 19.30 Shakespeare's Romeo and Juliet, directed by Michael Bogdanov. Fri and Sat: J.P.Donleavy's The Ginger Man. Sun: Hamlet (248713)

LONDON

Coliseum 19.30 James Holmes conducts Richard Jones' production of Die Fledermaus. Runs till Feb 10, with next performance on Sat. Tomorrow: Rimsky-Korsakov's Christmas Eve (071-836 3161)

Queen Elizabeth Hall 19.45 Robert King directs The King's Consort and the Choir of New College Oxford in music by Purcell and Handel (071-928 8800)

MUNICH

Staatsoper 19.30 Ludwig Minkus' ballet Don Quixote, also Fri. Tomorrow and Sun: Tchaikovsky's The Maid of Orleans. Sat: Die Fledermaus. Sun morning: Lorin Maazel conducts symphonies by Dvorak and Sibelius (221316)

Gartnerplatztheater 19.30 The Nutcracker. Tomorrow: Sondheim's Into the Woods. Fri: Hansel and Gretel (201 6767)

● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

NEW YORK

THEATRE

● What about Luv?: Austin Pendleton, David Green and Judy Kaye star in a revival of the musical version of Murray Schisgal's play. Runs till Jan 19 (York, 2 E. 90th St., 534 5366).

● On Borrowed Time: a first-rate revival of Paul Osborn's charming fantasy, originally staged in 1938. George C. Scott plays Grandpa, Teresa Wright is his wife, Matthew Porac is the grandson and Nathan Lane is Death, whom Gramps traps in an apple tree (Circle in the Square, 50th St. west of Broadway, 239 6200).

● Bluebeard: the Ridiculous Theatrical Company revives Charles Ludlam's 1970 play (Charles Ludlam, 1 Sheridan Square, 691 2271).

● Catskills on Broadway: a festival of ethnicity and all but unbroken laughter. Freddie Roman and Mal Lawrence are the Jewish comedians, Dick Capri handles the Italians and Marilyn Michaels does imitataions of imitations (Lunt-Fontanne, 205 W. 46th St., 307 4100).

● Dancing at Lughnasa: Brian Friel's award-winning play set in Donegal in 1936 (Plymouth, 236 W. 45th St., 239 6200).

MUSIC AND DANCE

New York State Theater 20.00 City Ballet in four choreographies by Balanchine and Jerome Robbins. Season runs till Feb 23 (870 5570)

Metropolitan Opera 20.00 Michelangelo Veltri conducts La boheme, with a cast led by Veronica Villarool, Franco Farina and Paul Plishka. Tomorrow: Der fliegende Holländer (362 6000)

PARIS

Théâtre des Champs-Elysées 19.30 Jean-Claude Malgoire conducts Jean-Louis Martinoty's production of Lully's Alceste, with a cast led by Jean-Philippe Lafont, Colette Alliot-Lugaz, Howard Crook and Gregory Reinhart. Tomorrow: Margaret Price sings Strauss' Four Last Songs with the Orchestre National de Lille conducted by Jean-Claude Casadesus. Sat, Sun and Mon: dance gala (4720 3637)

Opéra Bastille 19.30 Friedemann Layer conducts Bob Wilson's production of Die Zauberflöte, with a cast led by Keith Lewis, Donna Brown, Cornelius Hauptmann and Carsten Stabell, also Sat and next Tues. Fri and Mon: Boris Godunov (4001 1616)

Salle Pleyel 20.30 Sian Edwards conducts the Orchestre de Paris in Haydn's Symphony No 80, Rakhmaninov's Rhapsody on a theme of Paganini (soloist Dmitri Alexeev) and Stravinsky's Petrushka. Repeated tomorrow (4563 0796)

PRAGUE

This week's events at the Smetana Hall include a Prague Symphony Orchestra concert tonight conducted by Petr Altrichter, with a programme including Liszt's Faust Symphony (u Prasne brany 2, 232 5858).

The National Theatre repertory includes Dvorak's The Devil and Kate (tonight) and Smetana's Bartered Bride (Fri). The Smetana Theatre has Entführung tonight, Tosca tomorrow and Die Fledermaus on Fri.

For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

STRASBOURG

Palais de la Musique 20.30 Yuri Ahronovich conducts the Strasbourg Philharmonic Orchestra in Shostakovich's Fifth Symphony and Tchaikovsky's Violin Concerto, with Vadim Repin (8837 6777)

STUTTGART

Staatstheater 19.00 Fabio Luisi conducts Giancarlo del Monaco's production of Cav and Pag, with Eva Randova as Santuzza, also Fri. Tomorrow: Alan Hacker conducts Cosi fan tutte. Sat: Rossini's La scala di sieta. Sun: Un ballo in maschera (221795)

VIENNA

Staatsoper 19.30 Jan Latham-Koenig conducts Tosca, with Mara Zampieri in the title role and Neil Shicoff as Cavaradossi. Tomorrow: Meistersinger (51444 2960)

Musikverein 19.30 Edith Mathis, accompanied by Geoffrey Parsons, gives a Lieder recital in the Brahms-Saal, with music by Clara and Robert Schumann, Duparc and Strauss, also Fri (505 8190).

Tomorrow in the Konzerthaus: Parsons accompanies Olaf Bär in Die schone Müllerin (712 1211). Fri, Sat and Sun in the Musikverein Grosser Saal: Vaclav Neumann conducts the Vienna Symphony Orchestra.

This week's Vienna Philharmonic Orchestra subscription concerts (Sat afternoon and Sun morning, also next Tues evening) are conducted by Zubin Mehta (505 8190)

ZURICH

Opernhaus 19.00 Ralf Weikert conducts Bob Wilson's production of Lohengrin, with Ben Heppner in the title role and Lucia Popp as Elsa. Tomorrow and Sun: Eliahu Inbal conducts Tony Palmer's production of La forza del destino. Fri: Die Fledermaus with Hermann Prey as Elsenstein. Sat: two ballets by Bernd Roger Bienert (262 0909)

Tonhalle 19.30 Yoav Talmi conducts the Tonhalle Orchestra in a selection of Brahms' Hungarian Dances and an arrangement of the Sextett Op 18 for string orchestra, plus Mozart's Concerto for flute and harp. Repeated on Fri, when Brigitte Meyer will play Mozart's B major Piano Concerto K456 (201 1580)

Schauspielhaus 20.00 Party Time and two other short plays by Harold Pinter, also Fri and Mon. *Tomorrow: first night of new* production of Thomas Bernhard's play Uber allen Gipfeln ist Ruh, directed by Matthias Fontheim, also Sat (251 1111)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - lglobal business report with James Bellini
2130-2200 (Thurs) Talking Heads - International Issues

Sky News
1200 International Business Report
1130, 1730, 2130 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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Wednesday January 8 1992

Hurry home, Mr Bush

SADLY, Japan-bashing has now become a presidential activity, to the world's regret and Mr Bush's shame. The ostensible purpose to his current visit to Japan is to secure better access for US products in Japanese markets. But the real reason is to divert responsibility for the US's current – and deep-seated – economic ills away from his administration.

To blame any one president for America's relative economic decline would be absurd. But Mr Bush can, and should, be roundly condemned for descending to the depths of xenophobic, economic nationalism reached by so many of his Congressional opponents. US elections should not be fought at the expense of relations between the world's most important economic powers.

One depressingly familiar sign of the Bush administration's desperate slide towards mercantilism is its obsession with the size of Japan's trade surplus. The fact that Japan exports more to the rest of the world than the rest of the world exports to Japan does not mean that Japan's markets are not open to foreign producers.

Japanese trade policy is neither depressing US manufacturing output nor cutting American jobs, as Mr Bush well knows. Japan has a trade surplus because, as a nation, it saves more than it invests. The US has a trade deficit because it invests more than it saves, largely because the fiscal deficit is such a drain on American savings.

Bullying

Even less relevant as proof of unfair trade practices is the bilateral US deficit with Japan, which has, in any case, remained roughly constant over the past year. There may well be non-tariff barriers against exports to Japan. But the Gatt is the forum in which to seek redress for anti-competitive trade distortions. Bilateral bullying for specific and self-serving trade concessions is not the right way.

Yet bullying the Japanese serves a particular, political purpose for Mr Bush. The US public remains worried by the lack of economic growth, in spite of repeated cuts in interest rates, and the failure of US companies to stand up to foreign competition. The electorate is looking for a scapegoat, and Mr Bush would do anything to avoid its being him.

So the Japanese are to get the blame. Hence Mr Bush's decision to take 21 professional scapegoat hunters with him. The inclusion of the chief executives of the US's failing big three car manufacturers is particularly pertinent. Few have been more shrill than Chrysler's Mr Lee Iacocca in their demands for state subsidies and protectionism. His lectures to the Japanese on the need for free and fair trade will have a certain irony.

Marked contrast

The CEOs of the US car industry, in fact, embody many failings of US corporate, capitalist culture. Over the years they have paid themselves too much, collaborated with trade unions in short-term thinking which failed to create a well-trained and flexible workforce and underestimated the importance of product quality.

Not merely in these respects, but, above all, in the relatively poor performances of their companies, do they stand in marked contrast to their Japanese counterparts. The fact that the average US CEO earns 125 times the annual remuneration of a manufacturing worker, compared to just 16 times in Japan, is one indication of the contrast. The failure of the US corporate culture is just one part of America's structural impediments to efficiency. Add the poor record of US education, and the low savings rate, and the causes of the US's relative decline begin to emerge.

It would be naive to suggest that Mr Bush can solve any of these problems. But he should go home determined to look for ways to address them, rather than try to paint as the devil the very nation from which the US has most to learn. In so doing he risks shifting the parameters of next year's presidential campaign from whether the US should embrace protectionism to how tight the embrace should be. Mr Bush, once an ardent free-trader, knows how dangerous that would be, not just for the US but for the world.

Engineering a solution

THESE ARE dark days for the UK engineering industry. It is beset by a recession, the severity of which took most companies by surprise, and frustrated that the government's mishandling of macro-economic policy is forcing it once more to fight for its survival.

The industry also accuses the government of failing to provide a supportive long-term framework for investment, research and training. The substance to this charge is more difficult to judge and more central to any assessment of whether the relationship between the public and private sectors needs reform.

A report to be discussed today by the National Economic Development Council should be an opportunity to float new ideas on how the government and the industry might work together. Unfortunately it is as revealing about Nedo's shortcomings as it is about the weaknesses of the engineering industry.

The report is good on its analysis of the industry's record: strong increases in productivity and relative reductions in labour costs have not been matched by improvements in profitability, investment and innovation. The industry is still handicapped by a huge skills deficit.

But Nedo's policy prescriptions are a feeble restatement of conventional wisdom. It presents sensible recommendations for how government and industry might more effectively identify and promulgate world class standards of management, training and manufacturing systems.

Consensus

This is all so uncontroversial that the government can and no doubt will claim it is already doing much of it. Yet there is no indication that these measures will play a critical role in enabling the industry to meet the competitive challenge it faces from its continental and Far Eastern competitors. It fails to exploit the way the market for ideas could be opening up a year after Mrs Thatcher's departure.

Nedo still sees its role as creating a consensus between political parties, employers and unions over issues such as industrial policy and training. It was so battered by Thatcherism that it could only survive by becoming timidly uncontroversial. It has, in a word, been marginalised.

Building consensus over policy is not the problem it was in the 1980s. The main political parties are increasingly converging on economic policy. What they lack is not agreement but ideas. If Nedo's reports are to be of more value to industries such as engineering, it needs to shift focus.

Right issues

The starting point is to pick the right issues. If Nedo confines itself to promoting consensus between political parties, employers and trade unions, it will be limited to the terrain which the parties have chosen, for their own reasons. Instead Nedo needs constantly to point out where current policy debates are too short sighted or closed; a confident government would welcome a more unruly approach. For example, the engineering report does discuss the problem for aerospace companies of falling defence spending; but it is mute or timid upon more controversial issues such as science policy and standard setting.

Second, Nedo should audit the effectiveness of policy. The widespread concern within the engineering industry over the way training has been disrupted by the creation of Training and Enterprise Councils is not reflected in this report. The report is bland and predictable where it should have a critical edge.

Third, it should expand the imagination of policy makers by provoking new ideas. In engineering this could have meant looking at the future of innovation policy; the impact on industrial relations of the proposed merger of the industry's two main unions, the engineering union, AEU, and the electricians union, EETPU; the way that utility regulation and public procurement might affect supplying industries; and the way policies on inward investment might be developed to attract more research and design facilities.

Nedo needs to move out of the shadow of Thatcherism. It needs to agitate the policy debate, not send it to sleep.

Technology is changing at a rapid pace, but companies are still not sure where the developments are leading, says **Steven Butler**

Brave new world of electronics

Do you long for the day when you can toss out the remote control on your video machine and, when you leave for work in the morning, tell it in plain English to record your favourite afternoon soap opera? Or perhaps you would enjoy flipping up a screen on your CD player, while travelling on the 7:58 train from Sevenoaks, and watching a movie on the way to work.

Better still, why not stay at home and work via a machine that fits in the palm of your hand, sending and receiving sound, text and crystal clear pictures by means of an inbuilt digital communicator? When work is done, you could relax by donning the video goggles, earphones and electronic sensors, and enjoying a computer-generated fantasy of your choice.

The technology for these devices, and many more, is developing at startling speed. Electronic gadgets that may still pass for implausible science fiction are suddenly looking like realistic, if expensive and risky, business propositions for high-technology companies. Indeed, technology is advancing so rapidly that the business strategy for consumer electronics companies is shifting fundamentally.

These companies, in Japan and elsewhere, have been working for years to develop technology to improve the performance of products we know and love, from televisions to stereos. Now they are faced with a simultaneous explosion of different technologies that have created almost limitless possibilities for the design of electronic goods. The question is: what are they going to do with them?

The pace of change, including the rapid advance of digital processing, has torn down the barriers between separate categories of goods, such as televisions, telephones, stereos and computers, and is leading to new types of products – many in the broad category of multi-media devices that perform multiple functions.

It has also prompted a budding strategic alliance between Sony, the Japanese consumer electronics company, and Apple Computer, the US personal computer maker, two of the most innovative companies in their respective fields.

Creative genius, as much as engineering and manufacturing prowess, will be required to turn all this technology into products that succeed

Companies' success in developing new products will determine whether they are able to maintain the rapid growth that has characterised the electronics industry for several decades. The growth products of the 1980s, such as video recorders, personal computers, or Walkman-type cassette players, are approaching market saturation and new products are needed to sustain the momentum. The electronics companies will also be keen to get a decent return from their research spending, which for Matsushita and Sony last year came to about 10 per cent of sales.

Hints of the brave new world in consumer electronics can be seen in products coming to market now:

● Video displays: Sharp, the Osaka-based electronics company, took the lead in offering compact and portable video displays last year when it offered for sale an 8.6-inch colour television that hangs flat on a wall. The television uses liquid crystal display (LCD) technology that eliminates the need for the traditional bulky, heavy picture tube. Improvements in manufacturing technology in the coming years should steadily reduce the price below the current Y550,000 (£2,350), and allow for larger flat-screen TVs that can be moved about easily and consume little electricity.

Already, in Japan, a 5.6-inch colour LCD television that should keep the kids quiet in the back seat of the car is available for about £400.

For big screens, more popular in Japan and the US than Europe, the quality has improved steadily, both for large picture tubes and projection televisions, in which the image is projected on to a flat screen bigger than the 40-inch technical limit for glass tubes. The gradual increase in picture quality for traditional broadcast standards will continue as digital processing and other small improvements are introduced.

High-quality TV projection on to these large screens, up to 100 inches and more, will require high-definition television (HDTV). Otherwise the flaws in older broadcast standards are simply magnified. HDTV is only available in Japan today, but should become available in Europe by the middle of the decade.

● Digital music: digital music on compact disc has already virtually put traditional long-playing records out of business. The technology is now being developed further: this year Sony is launching its MiniDisc, a compact disc (CD) player that, after a few years of miniaturisation, should be little bigger than a small matchbox. Meanwhile, Philips and Matsushita are launching the Digital Compact Cassette (DCC), which will play a digital tape about the same size as traditional (analog) cassette tapes.

Both the MiniDisc and DCC achieve miniaturisation by using new technology to compress digital data, although sound quality is compromised to some extent compared with a full-sized CD.

Sony's MiniDisc, which can record as well as play music, will be smaller, giving it the edge on portability, and will contain circuits to prevent it skipping tracks when knocked about. This is a problem with portable CD players on the market today.

DCC machines have the advantage of being able to play old-style analog cassettes, as well as play and record digital tapes. But they will never be smaller than the most minute Walkman-type tape players, and it remains to be seen whether digital tape audio quality will be significantly better than for analog tapes, which have seen quality steadily improve.

● Compact discs: the little CD read by a laser currently used for music is becoming an ever more capable performer. The digital information that it stores can be used for other functions, from text to moving colour images. Within a few years, most personal computers may come with a CD drive.

Sony has tapped just a small part of the CD's potential with its Data Discman, which will be available in the UK from this spring and which can display reference books stored on a small 8cm CD. The latest model displays simple illustrations and produces sound – actually pronouncing the dictionary entries.

Philips and Sony have jointly developed the compact disc interactive format (CD-I), a full-sized CD that can display moving pictures and text, and play music. It could, for example, display the score of an opera while playing it. Sony is planning to use the CD-I to publish comic books in Japan, where they are extremely popular.


1. Wide screen television
2. Virtual Reality
3. Flat panel colour TV
4. Compact disc player

The storage capacity of CDs is also being improved. Pioneer Electronic and Sony are both working on technologies to increase capacity by between four and 20 times. If a CD could store an entire feature film, it could undermine the less portable and less flexible videotape business.

Yet the latest products using CDs, such as the CD-I, are taking electronics companies into unknown territory because they go far beyond the scope of traditional forms of entertainment. While no one could predict with certainty that video recorders would be so successful, there was at least a body of popular films and television material that could be used on the machines. Similarly, an improved stereo system, like the compact disc player launched in 1982, had an obvious appeal to music lovers and a ready library of "software" – ie, popular music – to be recorded on CD.

It is far less obvious what to do with the CD-I. So far there is little software in the form of prepared compact discs to go with the new machines. This has become a general problem: advanced technology has vastly broadened the scope for what machines can potentially do, but the software has lagged far behind.

Mr Nobuyuki Idei, a Sony director, explains the dilemma: "In the past the hardware and software were separate businesses. The software was [freely available]. Now we cannot think about hardware without software."

Electronics companies are aware of the need to keep the supply of "software" growing, by gaining, for example, access to film libraries. Two years ago Sony paid $3.4bn (£1.86bn) for Columbia Pictures and, in 1988, $2bn for CBS Records, while last December Matsushita made a $6.1bn (£3.35bn) acquisition of MCA, the US entertainment group that includes Universal Studios.

At least two new concepts under development are moving electronics companies on to uncertain ground:

● Virtual reality: the interactive computer simulation of visual, audio and tactile reality, triggered by body movements detected by electronic sensors, is still primitive.

Computers can generate the visual and auditory sensation of pushing a ball around in space in response to finger movements and will eventually be able to simulate the sights and sounds of much more complex environments – everything from tropical islands to space machines. Virtual reality machines put the participants into these environments, and allow them to manipulate them. An orchestra may respond to the beat of a simulated baton, or the world blow up at the touch of an imagined button.

Sony has set a team of scientists to work on the concept in the full knowledge that developing a successful mass market for virtual reality machines is beyond the company's traditional strengths in making the hardware. Mr Idei says: "For virtual reality we have to depend entirely on new artists. We need a lot of people like Steven Spielberg."

● Multi-media: this is the buzzword for a new generation of computers, still at the drawing board stage, with sophisticated video and audio capabilities. They could be, for example, small interactive machines that play CD-quality music, receive and display moving and still pictures, send and receive data, and perform computing functions. They could have applications in education, but the consumer market potential is uncertain.

"The possibilities for multi-media are very big," says Mr Masaharu Noyori, head of technology planning at Matsushita Electric Industrial. Yet, who needs it? In spite of the vast technological possibilities, Mr Noyori admits that the biggest problem facing Matsushita is working out what people want.

The dangers of spending millions on developing machines that flop in the market are huge. Market research is not necessarily a help because consumers themselves are unlikely to know what they want until machines hit store shelves.

Sony is teaming up with Apple Computer and Motorola to develop multi-media products. The details of their co-operation have not been announced, but Sony's expertise in audio-visual technology will be combined with Apple's experience in personal computing and Motorola's capabilities in digital cellular phone technology. Mr Idei says: "This is the merger of the computer and audio-visual industries. It will take 10 years, but it will come."

This is brave talk. From a technical standpoint, less and less separates the many branches of the consumer electronics family. Yet creative genius, as much as engineering and manufacturing prowess, will be required to turn all this technology into products that succeed.

The necessity of tapping into the artistically "creative" side of the business has been recognised not only by Sony and Matsushita, but also by Pioneer, Toshiba and JVC, all of which have formed close links with American entertainment companies. Such has been the pace of their technological innovation of late that Japanese companies are having to make big new efforts to broaden their horizons, in order to exploit ideas developing elsewhere.

OBSERVER

Lonrho's loss

■ Terry Robinson's move into the chief executive's seat at Union International should be welcome news for the bankers to the Vestey empire. But what will the shareholders in his old employer, Lonrho, make of it?

Lonrho is very much the creation of its founder Tiny Rowland and it is hard for an outsider to judge the relative importance of the rest of the top management team. The 47-year-old Robinson was only one of four chartered accountants on the board and although Robinson was a well-known Lonrho hand, he was not the finance director.

This job is shared by Philip Tarsh, chairman of the finance committee, and Robin Whitten, the treasurer. Paul Spicer, one of two new deputy chairmen, says that Lonrho's top management has always worked as a team, and Robinson's responsibilities will be "very easily absorbed" by the existing management. Talk of Robinson being Tiny's heir-apparent was ridiculous.

The size of Robinson's share options – second only to Rowland's – suggests he was a very important person at Lonrho. His detailed critique of Alan Bond's empire helped bring down the Australian tycoon, and many regarded the unprepossessing northerner as the acceptable face of Lonrho. Whatever Lonrho says, he will be sorely missed.

Spring fever

■ In the spring, a Frenchman's (or Frenchwoman's) fancy must not turn to thoughts of harassment.

If they do, and if the transgressors are at work, Véronique Neiertz, France's state secretary for women's rights and daily life will pounce.

Penalties for sexual harassment are increasingly common throughout the world. But the proposed French text is distinctive in one curious way. It describes the offence as "A word, gesture, attitude or behaviour by a hierarchical superior with a view to compel an employee to respond to a solicitation of a sexual nature".

This wording seems to imply either that there is no such thing as sexual harassment by a hierarchical equal or inferior; or that it is not an offence. Both of these propositions must be absurd.

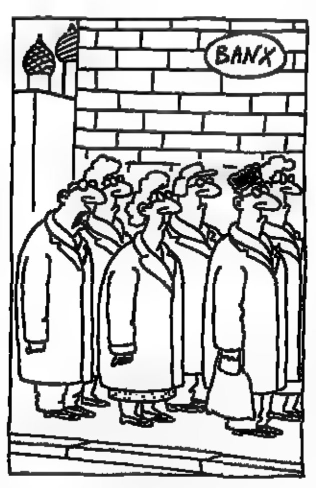
Ménage à deux

■ There is an engaging family overtone to the European Bank for Reconstruction and Development's first big east-west investment, a $20m stake in a consortium to buy 40 per cent of CSA, the Czechoslovak state airline. The consortium is headed by Air France, which is putting up only $6m in cash. Air France is run by Bernard Attali. The EBRD is run by Jacques Attali, his twin brother. But I am promised it was an entirely arm's length arrangement.

High-tech livery

■ A trifling 598 years after London's merchants, the mercers, set themselves up as the City's first livery company, the Court of Aldermen has welcomed its 100th recruit, the Worshipful Company of Information Technologists.

With green and gold livery and the motto cito (swiftly), the 316 members are united in an appreciation of computers either as makers or users. Freemen of the new company include Lord Weinstock, chairman of GEC, Sir Colin Marshall, chief executive of British Airways, and Sir Brian Jenkins, the current Lord Mayor.



"I hope we're not queueing for British beef"

More obviously, its ranks include Peter Bonfield, chairman of ICL and Hilary Cropper, chief executive of the computing services group FI.

This year's master is Alan Benjamin, a former director of communications at ICL.

The world of livery companies may seem anachronistic in the computer age but the information technologists are devoting themselves to the same good works livery company have espoused through the ages – education, training and medical research.

Mexican hold-up

■ No sooner had he arrived on a fact finding mission than Kenneth Clarke, Britain's education secretary, found himself on the Mexican school shelf. His main contact – Mexico's education minister – had just resigned.

The British embassy stood in a corner holding its breath. Who was going to tutor Britain's pugnacious education supremo on Mexican lessons for Britain's school kids? The local press delved deep into their government textbooks and correctly predicted that Mr Ernesto Zedillo Ponce de Leon, the budget minister would be made education minister.

Other news reports did not receive such high marks. The mayor of Mexico city and the head of the ruling party were both tipped by high sources as the new budget minister. Both were wrong. Mr Zedillo will not be replaced as budget minister at all. His department will simply be subsumed into the finance ministry.

Clarke, who has had seven ministerial jobs in 13 years, may have found the confusion faintly familiar.

Beauty contest

■ The Treuhand, much maligned mother hen to the remnants of east German industry, is offering good money to anyone who can find a replacement for "the ugliest word in the world".

Ludwig Tränkner, one of the busier officials at its Berlin headquarters, has put up DM500 out of his own pocket as a reward for thinking of a new name for his department, currently the directorate of Abwicklung or liquidation.

His press team, who have also raked up DM500 of their own, object equally to the connotations. "We are not a firm of undertakers," says one, pointing out that their task is rather one of "surgical intervention" to maintain commercial viability.

Diary clash

■ Correct me if I am wrong. But is not January 28, the date when Hanson Industries' chairman Lord White has been ordered to appear in court in Colorado to rebut charges that he assaulted his young girlfriend, also the day of Hanson's annual general meeting at the Barbican?

LETTERS

Investment in industry

From Mr Christopher Haskins.

Sir, Your leading article, "Dividends in recession" (January 4), highlighted one of the most worrying features of British industry – the low level of investment in new plant and technology. You showed that a large proportion of my shareholders, the pension funds, only pay an effective rate of 13¾ per cent tax on the dividends we distribute. If we choose to retain some of this money in order to invest in plant and equipment, the same shareholders would effectively pay tax on those funds at a rate of 35 per cent, less the capital allowances – say a net 25 per cent.

Institutions have been pressing companies to maintain dividends, even if profits are reducing. There is an obvious tax reason for this. Some rights issue proceeds may even have been used to maintain dividend payments.

Meanwhile, our German competitors, under no such pressures, retain far more of their profits within their businesses, creating new technology and manufacturing capacity to enable them to increase their share of the British consumer markets.

Should not Mr Lamont, the chancellor, and Mr Smith, the shadow chancellor, be addressing this absurd situation?

Christopher Haskins,
chairman,
Northern Foods,
Beverley House,
Hull, E Yorkshire HU1 5EU

Education: the casualties and the consensus

From Mr Alan J Bishop.

Sir, Your leader on Kenneth Clarke's plans to change the teacher training system in the UK ("Education and the election", January 6) rightly refers to them as "panicky electioneering".

In the subject I represent, mathematics, there is little support for yet more change in the schools and on the cheap. Already Mr Clarke's policies have guaranteed that we will be short of mathematics teachers for the foreseeable future. He has ensured that those mathematics teachers who are still teaching will be so overworked, overburdened with bureaucracy, and stressed, that they will have little time, energy or enthusiasm left to take on other responsibilities. His new plans are unlikely to stem the flow of experienced teachers out of school and will not attract more newcomers into mathematics teaching.

What these plans will do is change Britain from a country which has many of the best-trained maths teachers in Europe to one having many of the worst-trained. Teacher trainers come from all countries to study and learn from our methods and our professional approaches are admired worldwide.

Some politicians do recognise the complex nature of learning to teach successfully a subject like mathematics to all children. Mr Clarke clearly doesn't, and his ideological actions should be questioned by all who understand the nature of professional responsibility.

Alan J Bishop,
The Mathematical Association,
Department of Education,
University of Cambridge

From Prof Anthony O'Hear.

Sir, as a member of the Council for the Accreditation of Teacher Education (CATE), I rather object to the claim in your leading article that Mr Kenneth Clarke's proposal to move part of teacher training from colleges to schools demonstrates a failure on his part to "consult widely" or to "consider expert opinion". As he stated in his speech at Southport, the secretary of state has worked closely with CATE on the new proposals and has certainly listened to what CATE has had to say. Moreover, the current proposals are even now being put out for consultation.

Furthermore, far from there being no consensus about the shift in teacher training, as you claim, both the inspectorate and most of the teacher unions, at least, consider it to be sound in principle. The period of consultation now upon us will doubtless refine the practicability of the scheme.

Anthony O'Hear,
professor of philosophy,
University of Bradford,
Bradford, W Yorkshire,
BD7 1DP

Commitment to better quality statistics

From P A Manley.

Sir, Mr John Smith, the shadow chancellor, makes some arguably valid points in his Personal View ("How to make the Budget a real budget", January 6) and in particular that relating to the need to ensure the independence of the Government Statistical Service. But he fails to make any commitment to introduce these reforms should he find himself the actual chancellor.

This leaves one with the feeling that he wishes to keep his options open in the event of electoral success. Does he wish to be selective about the statistics he would present, and avoid full public debate on fiscal policy? Such an evasion is something for which he criticises the present government by innuendo.

P A Manley,
1-3 North Road, London N7

From Mr Robert Markless.

Sir, Mr John Smith is quite correct when he suggests that the government's economic decision-making has been affected detrimentally by the deteriorating quality of official statistics.

His criticisms echo those of many of us who for years have been concerned about the quality of statistics provided by government, not only in economics but in all fields of social policy. Indeed, I have yet to meet anyone outside the government and the Government Statistical Service (GSS) who does not believe that there is a problem.

John Smith's proposed solution, whereby an independent statistical service is set up, may well be a long-term answer and should be the subject of further public debate. Such a radical change, however, would cause a great deal of upheaval and could take time to become established.

Any government seriously wishing to restore public confidence in official statistics would do well in the short term to set up an independent national statistics council to act as a watchdog, as we in the Social Science Forum have consistently argued. For such a body to be effective, it would have to be independent of government, reporting directly to parliament, as the National Audit Office does. It would have the responsibility of providing a mechanism through which interested parties could contribute to decisions about the content of official statistics and of adjudicating where accusations of political abuse were made.

Robert Markless,
joint co-ordinator,
Social Science Forum,
61 Richborne Terrace,
London SW8

Opening hours

From Mr H M V Gray.

Sir, Barry Hyman got his facts wrong when he wrote to you last week concerning bank opening hours. NatWest has been opening full branches from 9.00 am until 4.30 pm since last summer, with some 420 outlets staying open until 5.30 pm. Some 220 branches are open from 9.30 am until 3.30 pm on a Saturday.

I believe that the combination of opening hours and number of outlets concerned compares very favourably with that offered by Mr Hyman's shops.

H M V Gray,
general manager,
UK branch business,
National Westminster Bank,
41 Lothbury, London EC2

No Teutonic plot on interest rates or on social charter

From Mr S Feacey.

Sir, As an Englishman living in Germany I feel obliged to take issue with John Willman's ("With Friends like Germans", January 4) intemperate comments.

Certainly the Bundesbank increased interest rates recently. It did so solely to correct an overheated domestic economy and, in fact, followed the Bank of England's example of 12 to 18 months ago. Moreover, the German Bundesbank is wholly independent of German government control and it is therefore incorrect to imply that it was part of a Teutonic plot to dominate Europe.

Second, what is wrong with Germany recognising the independence of Croatia and Slovenia? Almost every British newspaper and periodical that I have read has been sympathetic to these new states and certainly the Foreign Office's apparent indifference to the situation has not improved matters one iota.

Finally, Social Charter. The Germans did not impose this on Europe. All EC members supported it with the exception of the UK government, which will conceivably lose the next general election as a result.

S Feacey,
Lohweg 24,
6050 Offenbach-Waldheim,
Germany

Turkey and EC anti-subsidy proceedings

From Mr Izzet M. Sinan.

Sir, You refer ("Turkey in dumping move against Pakistan", December 12), to the EC anti-subsidy proceeding against Turkish polyester fibres and yarns. The reference is incorrect and incomplete.

First, the definitive resolution of the matter was in September 1991, so your reference to provisional duties in June 1991 was outdated. Secondly, of the 11 schemes investigated (and without prejudice to whether they all qualified as countervailable subsidies, which we deny), the Commission eventually identified only three – not eight – schemes requiring possible countervailing action.

Third, many of these schemes had either been abolished during the investigation period or during the course of the proceeding, or did not apply to exports to the EC among others.

This was done within the context of Turkey's general programme of modifying its industrial incentive schemes and phasing out those measures not consistent with its international obligations. Consequently, the case was settled by an undertaking between the Turkish government and the Commission.

Izzet M. Sinan,
Oppenheimer Wolff & Donnelly,
Box 31,
1050 Brussels,
Belgium

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Robert Mauthner

Suitable subjects for reform

FOREIGN AFFAIRS

A small, international force would help extend the United Nations' peace-enforcement role

The new United Nations secretary-general, Mr Boutros Boutros Ghali of Egypt, is taking over an organisation which has recently seen a great boost to its authority and prestige, but which still has a long way to go to attain its founders' ambitious goals. The difficult task the world's top civil servant faces is to capitalise on the UN's new scope for action resulting from the end of the Cold War, by extending its role as a peace-maker and peace-keeper to the civil and ethnic conflicts which are likely to dominate the world scene until the turn of the century.

If, for the greater part of its 46-year life, the UN has had more detractors than admirers, superpower rivalry must take much of the blame. Though member nations never ceased to pay lip-service during the Cold War years to the UN's idealistic objectives, the maintenance of international peace and security, the organisation became little more than a forum for confrontation between the great powers.

The ending of the Cold War changed all that. The new spirit of co-operation between the US and the former Soviet Union was exemplified by the Security Council's endorsement of the US-led military operation against Iraq, one of the most effective joint actions in the UN's history. But with the break-up of the Soviet Union into several independent republics, the cosy new relationship built up between Mr Mikhail Gorbachev's Soviet Union and the west risks being transformed once again.

Russia, it has been agreed, will take over the Soviet Union's permanent Security Council seat. Plainly, it will not, given its present state of economic chaos and the prospect of more political upheavals, want to cross the US and its western allies or play too active a role on the international stage for some years. That might be seen as a benefit by some western governments. But Russia's very weakness, and the risk that growing internal social and economic tensions could lead to further violent upheavals in the states of the former Soviet Union, is posing an entirely new problem for the UN. Instead of a balance of power, the international organisation is now likely to suffer from an imbalance of power.

The checks and balances within the Security Council which existed even during the declining years of the Soviet Union, could disappear altogether, leading to what even Washington's friends might consider an unduly dominant position for the US. That is an unhealthy situation in the longer term and it raises a question which most members of the Security Council, the permanent five in particular, have been unwilling to answer: has the moment arrived to increase the permanent membership of the council?

That two of the world's leading economic powers, Germany and Japan, the world's second most populous state, India, and South America's leading nation, Brazil, should continue to be excluded from the UN's core institution is an anachronism which takes no account of international developments since the Second World War. Neither membership of the nuclear club nor being one of the Second World War victors should continue to be the main criterion for permanent Security Council membership at a time when economic factors arguably play a much greater role than military power in preserving or undermining international security.

No doubt, any suggestion that the number of permanent Security Council members should be increased would open a Pandora's box of problems. If Brazil, why not Nigeria? If Germany, why not Italy? Should the European Community be given a permanent seat instead of the separate seats held by Britain and France? All these and many other questions are as valid as they are complex. But the difficulty of finding solutions cannot be a permanent pretext for failing to tackle a problem which is fundamental to the organisation's credibility.

If the composition of the Security Council is a suitable subject for reform, a revision of the limitations the UN has hitherto set on the kind of military actions it can undertake is also required to meet entirely new situations. The break-up of previously unified states such as Yugoslavia in an atmosphere of civil strife and bloodshed often has much wider than purely domestic implications. Because of regional ethnic dimensions it could set alight much of the Balkans, and therefore clearly comes under the heading of a situation that could threaten international peace and security.

A revision of the limitations the UN has set on the kind of military actions it can initiate is required to meet new situations

So far, the UN has restricted itself to two kinds of military actions. The first are peace-keeping operations, strictly circumscribed by a number of criteria under which UN forces can be deployed only with the consent of all parties, after a ceasefire is in place, and on condition that their arms are used only in self-defence.

The other main military option open to member countries is the kind of large-scale operation which can be authorised by the Security Council under Chapter VII of the UN Charter, such as the one undertaken to counter North Korea's attack on South Korea in 1950 and to reverse Iraq's invasion of Kuwait in 1991. In both cases an *ad hoc* multilateral force was assembled under US command. Yet in spite of his official designation as commander of UN forces in Korea, US General Douglas MacArthur never reported directly to the Security Council and the US decision to cross the 38th parallel dividing North and South Korea did not receive the advance approval of the other Council members. In short, the Security Council had no control over the military operations undertaken on its behalf.

In the case of the Gulf conflict, a UN joint command was not even formally established and it long remained unclear whether US war aims would lead American forces to take Baghdad in an attempt to overthrow President Saddam Hussein. This was certainly not an objective spelt out in any of the Security Council resolutions on the subject.

A growing body of opinion considers that contemporary "internal" conflicts such as the ones in Yugoslavia and Somalia and the earlier civil conflict in Liberia, require operations "somewhere between peace-keeping and peace enforcement," in the words of Sir Brian Urquhart, a former UN Under-Secretary-General. The big sledge-hammer used in the Gulf is clearly not appropriate for use in such circumstances. But a genuine alternative solution is offered by article 43 of the UN Charter, under which *all* members would undertake to make armed forces available to the Security Council by special agreements "for the purpose of maintaining international peace and security".

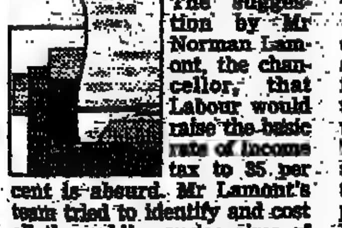
Such a relatively small international force could be assembled quite quickly, since it would be made up of units previously earmarked by member states for contingencies of this kind. Placed under a UN commander directly responsible to the Security Council, it would be clearly identified with the UN from the start, instead of with the country providing the largest military contribution, as in the Gulf conflict.

The imprimatur of impartiality given by a genuine UN force would be of great political advantage in a situation such as the one in Yugoslavia, where the respective factions are particularly prone to accuse outsiders of bias in favour of one ethnic nationality or another. Moreover, nobody else, certainly not the European Community or the US, is likely to do the job required in Yugoslavia. Mr Boutros Ghali and the member states should not miss the best opportunity that they have had for decades to put the UN's peace-keeping and peace-enforcement capacity on a permanent footing.

PERSONAL VIEW

Tax reforms – from the absurd to the ridiculous

By Andrew Dilnot



The suggestion by Mr Norman Lamont, the chancellor, that Labour would raise the basic rate of income tax to 35 per cent is absurd. Mr Lamont's team tried to identify and cost all the public service aims of the Labour party, and came up with £35bn. The Treasury team then estimated that Labour could raise £10bn from a new top rate of income tax of 50p and the abolition of the National Insurance ceiling. That left a £25bn gap to be filled by a 10 per cent increase in the basic rate of income tax.

It may be that £35bn is what Labour's additional desired spending would cost, but there is no suggestion that they would increase spending by that amount immediately. The shadow chancellor John Smith and his team have repeatedly said they would only spend as the economy grew and provided additional resources.

The Tories' own desires look quite expensive: they want to spend £20bn on cutting public sector borrowing to zero, and a further £12.5bn on cutting the basic rate of income tax to 20 per cent. The Tory wish list adds up to £32.5bn, not much less than £35bn.

Labour would not raise the basic rate by 10p, but neither could the party deliver enormous increases in public spending. The Conservatives could not cut taxes and borrowing in the short term. The speed with which either party could achieve its aim depends almost entirely on the rate at which the economy grows.

Coming closer to sensible debate, Labour has made some spending commitments for the first year of a new parliament, to increase child benefit and the state retirement pension. These increases would cost about £4bn a year. To pay for these benefit changes, Labour proposes the abolition of the National Insurance ceiling, and the new 50 per cent top-rate tax. The abolition of the NI ceiling would hit everyone earning more than £20,280. As yet, Labour has been vague about where the new 50 per cent tax rate will be imposed, but gross earnings of about £40,000 a year seem a reasonable assumption.

The table illustrates the impact of these tax changes at various income levels.

Impact of Labour's proposed tax changes*

Income	NI loss	Income tax loss	Total loss
20,000	–	–	–
25,000	425	–	425
30,000	875	–	875
40,000	1,775	–	1,775
50,000	2,675	1,000	3,675
100,000	7,175	6,000	13,175

*Assuming 50 per cent income tax on income of £40,000 a year
Source: Institute for Fiscal Studies

The clearest point to emerge is that the National Insurance change is far more important than the new top income tax rate. Almost 4m people would lose from the National Insurance reform; only about 750,000 from the new income tax rate. And even at an income of £100,000 a year the loss from the NI rise exceeds that from the additional income tax.

Almost 4m people would lose from the National Insurance reform; only about 750,000 from the new income tax rate

Far too much attention has been paid to income tax, and too little to the NI proposals. These two changes are of radically different types: the income tax increase is a simple piece of redistributive taxation, the NI proposal a long overdue reform of an anomalous and unfair tax.

But the NI structure has become so anomalous and unfair that to remove the ceiling in one Budget may be not only politically risky, but also objectively too rapid a change. By the middle of 1991-92, average full-time male non-manual earnings had reached the NI ceiling of £20,280. We now have a system where the tax rate on those earning below this level is higher at 34 per cent (combined income tax of 25 per cent and NI of 9 per cent) than on those above-average earnings facing 25 per cent tax plus a smaller NI percentage.

The NI system is a disgrace of which the government should be ashamed. Labour should be congratulated for recognising the problem, and being prepared to tackle it. But the immediate abolition of the ceiling would impose losses of poll tax and higher proportions on 4m voters. If Labour did not need the money to pay for its benefit promises, it would make more sense to phase in this reform. Even now, it might be possible to move to such a proposal, retaining the credit for equitable and efficient tax reform without imposing such large losses on voters near the middle of the income distribution.

Taxation may be a vital part of the pre-election debate, but thus far the main parties have contributed little to that debate. The Conservatives try to hide the increase in the tax burden since 1979 – and their lack of any strategy for the tax system as a whole – behind cuts in income tax rates. They also make silly accusations about what would happen to the basic rate of tax if Labour were elected.

Although the £35bn accusation is ridiculous, Labour does seem to have too many "priorities", given its limited intentions for raising more money. Its proposals on income tax continue to be vague, and it still tries to pass off its laudable NI reform as one which will only hit those on very high incomes.

Andrew Dilnot is a director for the Institute for Fiscal Studies

FINANCIAL TIMES
Wednesday January 8 1992

Gamsakhurdia supporters defy Georgian rebels as extradition talks begin

Gunmen fire on Tbilisi demonstration

By Neil Buckley in Tbilisi

GUNMEN in Tbilisi, the Georgian capital, again opened fire yesterday on crowds demonstrating in support of President Zviad Gamsakhurdia, who fled the country on *Monday. Two people were* reported to have been wounded.

The opposition military council, which has taken control of the republic, said it gave the orders to disperse the 3,000-strong demonstration. Last week at least two people were killed when masked gunmen fired into another pro-Gamsakhurdia crowd.

Mr Gamsakhurdia is believed to be in Ichevan, Armenia. Mr Tengiz Sigua, Georgia's acting prime minister, said he had spoken by telephone to Mr Levon Ter-Petrosyan, the Armenian president. The two had agreed that Mr Gamsakhurdia and his family could remain temporarily in the country, but would not be *allowed to leave, he said.*

About 100 supporters who fled with the president, many of them armed, were to be sent back to Georgia.

Yesterday's shooting incident was another blow for the military council, which is attempting to establish control in the republic. But Mr Jaba Iosseliani, one of the council's two leaders, was unrepentant. "I gave the order for the crowd to be dispersed, and I will do the same tomorrow and the day after if necessary."

He said the council had imposed the "absolute minimum" of restrictions on Tbilisi residents, asking only that a curfew and a ban on public meetings be observed.

Mr Iosseliani, who denied anyone had been hurt in the incident, said his men had fired blanks. But in an apparent Mr Sigua insisted the use of firearms to disperse demonstrations had been prohibited.

He also contradicted the assertions of the council that the rest of Georgia had been quiet. He said there were reports of groups of Gamsakhurdia supporters seizing sections of railway line in western Georgia, and tearing down a television tower in Abkhazia, in the north-west.

Regional prefects appointed by Mr Gamsakhurdia were being replaced by men from the council, Mr Sigua said, and were attempting to confiscate weapons and maintain order in the republic.

There were unconfirmed reports of meetings elsewhere in the country in support of Mr Gamsakhurdia. Travellers arriving in Tbilisi said they had heard shooting around the town of Kutaisi, 200km from the capital. Tbilisi's communications have been damaged in the recent fighting, making it difficult to receive news.

Mr Sigua said he was urging the council to annul last Thursday's order to dissolve the Georgian parliament, which he hoped would meet again by January 15.

and other matters.

The military council has said it will hand over all its powers to the provisional government as soon as the situation stabilises.

A smoke bomb lands among supporters of ousted Georgian president Zviad Gamsakhurdia during a rally in Tbilisi

EC steps up efforts to calm Moscow's fear over mad cow disease

UK, Russia act to settle beef row

By Our Foreign Staff

BRITISH and Russian officials were in intensive talks in Moscow yesterday to try to settle an embarrassing row over Russia's reluctance to accept UK beef aid because of claims it could bring "mad cow" disease to Russia.

Veterinary surgeons from the UK and the European Commission were also meeting *their Russian counterparts in* an attempt to persuade them that the beef is safe.

Mrs Lynda Chalker, the British minister for overseas development, is due to fly to St Petersburg tomorrow, when she will seek to defuse the row.

The announcement of Mrs Chalker's visit came as an exasperated British government said it had suspended delivery of 2,000 tonnes of frozen beef to Russia while steps were taken to persuade the Russian authorities that British beef is free of the "mad cow" disease, bovine spongiform encephalopathy.

The beef rejected by Moscow officials at the weekend was the first tranche of the EC's food aid programme for Russia. The British meat was finally accepted by the northern Rus*sian city of Murmansk, which* has different health regulations from those of Moscow and where no cattle are reared.

The rest of Britain's meat aid consignment – accumulated by the UK under the EC's Common Agricultural Policy – has been put back into cold storage pending the return from Moscow later this week of Mr Keith Meldrum, the UK's chief veterinary officer.

Mr Meldrum, who flew to Moscow on Monday, will hold further talks with the Russian authorities today.

The Ministry of Agriculture in London confirmed that the beef sent to Russia had come from UK herds which might have been infected by BSE. However, under EC regulations adopted in June 1990, the infected parts – mainly bones *and offal – could be removed* and the meat safely consumed.

But the meat could not be certified in the normal way. Only meat from herds which had been free of the disease for two years could be certified as BSE-free. The disease is a brain disorder which has ravaged British herds for the past five years and has also soured Britain's trade relations with other members of the European Community.

Sir Rodric Braithwaite, the British ambassador in Moscow, said Russian vets had sought assurances that none of the beef came from farms which had suffered outbreaks of the disease, but this was impossible to do.

Mrs Chalker's visit to St Petersburg, to discuss the distribution of £20m ($36.4m) of *animal feed grain sent by the* British government, was planned before the beef dispute broke out. But she will discuss the problem with officials in the northern Russian city, formerly called Leningrad.

British officials said the first two grain shipments of about 20,000 tonnes each had already arrived and a third was due to leave Britain later this week. The feed grains have been distributed without any problems.

Employers attack Maastricht deal

By David Gardner in Brussels

EUROPEAN social policy threatens to become "a two-headed monster", which could damage EC business, as a result of last month's Maastricht summit, European employers said yesterday.

The UK agreed to the Maas*tricht treaty on European* Union only after its 11 partners consented to keep existing social clauses and pursue their more ambitious aims in labour law through an unprecedented protocol, allowing them to legislate through the Community and exempting Britain.

Mr Zygmunt Tyszkiewicz, secretary-general of Unice, the Europe-wide employers' organisation, said this was the worst of both worlds.

First, the retained social chapter – which will still be the basis for laws applying to all 12 member states – should have been tightened up. This would have prevented the European Commission from introducing laws like the con*troversial directive limiting the* working week to 48 hours by using health and safety rules, which require only a qualified majority vote rather than unanimity.

Second, the protocol on social policy was full of legal holes. It left unclear, for instance, whether measures passed by the 11 become part of the body of EC law (the *acquis communautaire).*

If they do, as France and Germany insist, then the diluted form of majority voting envisaged for the protocol could mean six countries legislating not only for all the EC, except the UK, but also for the seven European Free Trade Association countries which *will fall into line with EC law* once the European Economic Area is set up in 1993.

Mr Tyszkiewicz also pointed out contradictions between the protocol – which allows positive discrimination in favour of women, for example – and the treaty, which does not. The protocol excludes "pay" from EC competence, but does not define exactly what it includes.

This, the Unice secretary-general suggested, might lead to loopholes, such as that which led the European Court to rule that pensions for men and women had to be equalised retroactively – the so-called Barber case, the financial costs of which Maastricht also diluted through a *protocol.*

Patrick Blum adds from Lisbon: Mr Douglas Hurd, the UK foreign secretary, said in Lisbon yesterday that Britain was "not closing with a bang the idea of a social dimension in the community".

"We believe there is a considerable range of measures which could and should be pressed ahead under the Portuguese and British presidencies," he said.

Middle East peace talks

Continued from Page 1

Mr Yitzhak Shamir, the prime minister, said: "We are very disappointed by the unjust and one-sided decision of the Security Council. It ignores completely the acts of murder against Israeli citizens.

"Israel will continue to fulfil its duty to safeguard the security of its citizens and will act against all *those who encour*age and incite terror and violence and will continue to move the peace process forward," he added.

The UN Security Council resolution, which received full US backing, was passed by a vote of 15-0.

Israel yesterday accused Washington of bowing to Arab pressure by supporting the UN resolution.

"We can only express our bitterness, our anger and our regret that the US continues to pay a price to bring the Arabs to the negotiating table at the expense of Israel and of terror victims," said Mr Yossi Ben-Aharon, a senior aide to the prime minister and a member of the Israeli negotiating team to the peace talks.

The 12 Palestinians ordered expelled by Israel – most of them relatively unknown – *are suspected of activism in* Palestinian nationalist organisations. Israel has expelled 66 Arabs since the start of the Palestinian uprising in 1987.

Mr Shimon Peres, leader of the opposition Labour party, hinted that the timing of the move had been inappropriate.

"They should have considered very carefully whether the expulsions were appropriate at this time and whether they would in fact achieve their aims," he said.

EC monitors killed

Continued from Page 1

are brave men doing a dangerous job and we and all the peoples of Yugoslavia are in their debt. The tragedy is bound to influence people's attitudes, but I think it will have the effect of redoubling efforts to achieve peace rather than weakening them."

Lord Carrington, chairman *of the EC-sponsored peace* talks which are due to resume in Brussels tomorrow described it as a "tragic incident" and hoped it would not scupper peace hopes. EC officials privately warned that the attack may jeopardise plans for a 10,000-strong United Nations peace-keeping force to be sent to Yugoslavia.

The helicopters were flying over Novi Marof, near Varazdin, about 50 km north-east of Zagreb, from which federal army units had completely withdrawn in September.

The Croatian interior ministry said one of two federal air force jets flying in the area turned and fired a missile at one of the helicopters.

Mr Alexandr Popovic, a 17 year-old who saw the helicopters come down, said: "I saw the plane fire on the helicopters. One helicopter was hit, *the second one veered to the* right to escape."

The five dead, who were the first EC monitors to die in the Yugoslav civil war, included the Italian pilot and co-pilot of the helicopter, which exploded in midair. The second helicopter, carrying four Italians and a Belgian, crashlanded safely. Italy provides most of the pilots and logistical support for the 170-strong EC monitoring team, while France has supplied administrative back-up.

Ford to sell Japanese cars back to Japan

By Kevin Done, Motor Industry Correspondent, in Detroit

FORD, the second largest US carmaker, is to export Ford-badged right-hand drive vehicles from America to *Japan and to the UK, the* world's biggest right-hand drive car markets, for the first time since the early 1900s.

The company said yesterday that a right-hand drive version of the new generation Ford Probe, a sporty coupé due for launch in the US in mid-1992, would be built in the US for export to the UK and Japan beginning in the autumn of 1993.

Ironically in view of the mounting automotive trade friction between the US and Japan, the Ford Probe is built at the US, Flat Rock, Michigan assembly plant of Mazda, Ford's Japanese affiliate in which it holds a 25 per cent stake.

The Probe is a Ford-derived version of the Mazda MX-6 coupe. Ford and Mazda have one of the most far-reaching alliances in the world auto industry. Mazda has engineered several models sold under the Ford badge, about half of the vehicles sold by Ford in the Asia-Pacific region are sourced in whole or in part by Mazda, while in the US some Ford vehicles are rebadged for sale by Mazda.

Mr Allan Gilmour, president *of Ford's automotive* operations, said that the right-hand drive version of the Probe, would be "merely the beginning of a series of vehicles built in America that will be exportable to right-hand drive markets".

The current generation Ford Probe, which is now being phased out of production, is already exported to several left-hand drive markets such as Germany, the Netherlands, Switzerland and Sweden.

Chrysler last year became the first of the big three US carmakers to announce plans to produce a right-hand drive version of a North American vehicle, when it said it would export vehicles to the UK, including a right-hand drive version of its Jeep Cherokee four-wheel drive vehicle.

Ford and Chrysler are only following some Japanese producers, however, which are already shipping right-hand drive versions of vehicles produced at their US plants to Japan and the UK, a trend begun by Honda with its Accord estate car.

US car sales, Page 4; Japanese motor sales, Page 4; Japanese investment in UK, Page 8

THE LEX COLUMN

Siren voices on the ERM

Background noise about UK membership of the ERM is plainly not going away. Yesterday brought a fresh appeal from a group of UK monetarist economists to quit the system entirely and revert to domestic monetarist policies, presumably along the lines of the early 1980s. Such agitation is relevant to the markets insofar as it puts pressure on sterling. Beyond that, the question is how far it belongs to the realm of the practical.

It is in principle self-evident that sound money is not desirable at any price: if, for instance, it were to reduce the UK to a permanently depressed region. But there are only four basic options. The UK can leave the ERM on the terms suggested by the monetarists, preferably with the addition of an independent UK central bank. But the monetarism of a decade ago remains deeply unfashionable; as for central bank independence, it is viewed with hostility by the Treasury. Second, the UK can revert to the older native tradition of inflation tempered by devaluation. But the stop-go *policies of the 1970s are more* unfashionable again.

This leaves only two practical options, both of which involve staying in. The first is to tough things out at the original central rate, the logic being that since the ERM is designed to be painful it might as well get on with it. To devalue would be only to buy time until UK inflation brought the pain back. The second is to devalue anyway, on the grounds that time is worth *buying until the mismatch* between the UK and German economies is less extreme.

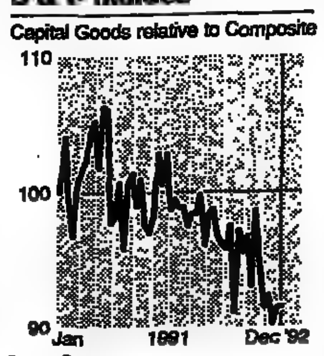
The obvious snag about the second is that it weakens faith in sterling while retaining the obligation to defend it, thus raising the theoretical possibility of higher interest rates again. A possible way out would be the perception by other ERM members that German monetary stringency is here to stay, leading to an agreed revaluation by the D-Mark later in the year. But that has to be a matter of genuine consensus. The practical likelihood is that the Tories, for better or worse, will have to fight an election on the present terms.

Wall Street

It might be a negative indicator for US equities that the advisory panel of the Wall Street Week television programme is more bullish than *ever before. It certainly sug*gests a degree of caution about the stampede into equities since the discount rate cut on December 20. Could that simply reflect a one-off shift of funds from money market accounts? Or have investors scented the makings of robust recovery?

FT-SE Index: 2,482.9 (-10.3)

S & P Indices



Source: Datastream

Retail investor enthusiasm for equities in an apparently overvalued market could be interpreted as the final flowering of a bull trend that can be traced back as far as 1974. But according to Mr Bob Farrell of Merrill Lynch, there is a danger of over-simplification. Non-cyclical growth stocks like biotechnology companies do look like peaking out. In contrast, the S & P capital goods index fell 12 per cent between March and mid-December. That sector is now rebounding from an oversold position. There may thus be some way further to go in cyclical stocks – though not necessarily consumer-related ones like cars – even after the general buying frenzy dies away.

All of which must be encouraging for European fund managers wondering about adding to their US portfolio before the interest rate differential with Germany narrows and the dollar starts to recover. There are caveats, certainly. One is that the markets may be upset by injudicious fiscal priming in Washington. Another is that recovery may not materialise. Mr Farrell believes it will, though it may not last. The 1990s will see a much more stop-go kind of economy, he says. So investors will have to become used to trading in and out of the market.

European food

This week's purchase by Saint Louis of a 13.8 per cent stake in Source Perrier is *another intriguing develop*ment in the Agnelli family's pan-European food strategy. The ultimate goal may remain obscure, but the latest deal has two immediate implications. It notably strengthens the Italian grip on France's much-prized water company, and it underlines the growing alliance between the Agnellis and Maison Worms.

These two families are openly acting in concert at St Louis, where they have more than 50 per cent of the votes. By combining the new St Louis stake in Perrier with the 35 per cent held by Exor, the quoted holding company for which the Agnellis are currently making a full bid, they will now own 49 per cent of Perrier. Under French takeover rules that should trigger a partial bid for the rest, though minority shareholders should not expect any favours. The Agnellis would not be required to pay more than the FFr1,235 per share forked out this week by St Louis, and with effective control already in their hands they will hardly want to.

The more interesting question is whether a more substantial shake-up of food and drink assets in France is on the cards. Notwithstanding stakes in BSN held directly through the Agnelli vehicle Ifil (5.8 per cent) and indirectly via St Louis (3 per cent), a full bid for the food giant is difficult to envisage. It would be hugely expensive, would cause deep political ructions and would simply not be the Agnelli style. The Agnellis and their French friends are nevertheless emerging as a powerful new force in the European food industry, ready to mount a serious challenge to the likes of Nestle and Unilever in the 1990s.

Unit trusts

Baillie Gifford's resignation from the Unit Trust Association no doubt owes something to Scottish thrift, saving as it does an annual subscription of £15,000. But it also betrays friction within the industry over plans to change the way units are priced. Coming after defections by the Prudential and others over robust UTA criticisms of insurance company commission structures, the latest departure further illustrates the gulf between different parts of the retail financial services sector. It would obviously be useful for the market if unit trusts, investment trusts and insurers were able to present a united front against the building societies. But that, it seems, is not the real world.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	12	54
Algiers	S	17	63
Amsterdam	C	5	41
Athens	S	16	[illegible]
[illegible]	S	14	57
Bangkok	F	32	90
Barcelona	C	7	45
Beirut		–	–
Belfast	R	10	50
Belgrade	S	11	52
[illegible]	S	7	45
Biarritz	F	14	[illegible]
Bombay	S	30	86
Bordeaux	S	7	45
Boulogne	C	5	41
Brussels	C	4	39
Budapest	S	11	[illegible]
Buenos Aires	F	24	75
[illegible]	F	18	64
Cape Town	S	25	77
[illegible]	F	[illegible]	82
Casablanca		–	–
Chicago	C	1	34
Cologne	S	5	41
Copenhagen	C	6	43
[illegible]	S	15	[illegible]
[illegible]		–	–
Dublin	C	12	54
[illegible]		–	–
Edinburgh	R	10	50
[illegible]	F	16	61
Florence	F	7	45
Frankfurt	C	2	36
Geneva	S	6	43
[illegible]	S	16	61
Glasgow	R	11	52
Helsinki	[illegible]	0	32
Hong Kong	S	18	64
Innsbruck	S	5	41
Inverness	C	[illegible]	43
Islamabad	C	14	67
[illegible]	S	9	[illegible]
[illegible]	R	32	90
Jersey	F	6	[illegible]
Johannesburg	S	27	[illegible]
Lima	F	26	79
Lisbon	F	12	54
London	C	9	48
[illegible]	S	8	46
Luxembourg	C	1	34
Madeira	T	16	61
Madrid	S	6	43
Majorca	C	13	[illegible]
Malaga	F	15	59
[illegible]	C	15	59
Manchester	F	9	48
Manila	C	30	86
Melbourne	C	[illegible]	63
Mexico City	C	22	72
[illegible]	[illegible]	14	57
Milan	S	5	41
Montreal	C	-2	28
Moscow	Sn	[illegible]	[illegible]
[illegible]	S	7	45
Nairobi	F	22	72
Naples	S	12	[illegible]
[illegible]	F	24	75
New Delhi		–	–
New York	C	4	39
Nice	S	13	55
Nicosia	S	17	63
Oporto	R	11	52
[illegible]	F	-1	30
Paris	C	3	37
[illegible]	S	3	[illegible]
Prague	F	7	45
Reykjavik	C	-1	30
Rhodes	[illegible]	[illegible]	61
Rio de Janeiro	C	[illegible]	89
[illegible]	F	[illegible]	48
Salzburg	S	7	45
San Francisco	R	8	46
Seoul	F	4	39
Singapore	F	30	86
Stockholm	C	2	36
Strasbourg	C	3	37
Sydney	S	22	72
Taipei	C	19	66
Tangier	S	16	61
Tel Aviv	C	[illegible]	54
Tenerife	F	22	72
Tokyo	C	6	43
Toronto	C	1	34
Tunis	F	12	54
Valencia	F	12	54
Venice	Fg	0	32
Vienna	S	11	52
Warsaw	C	6	43
Washington	S	3	37
Zurich	S	4	39

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

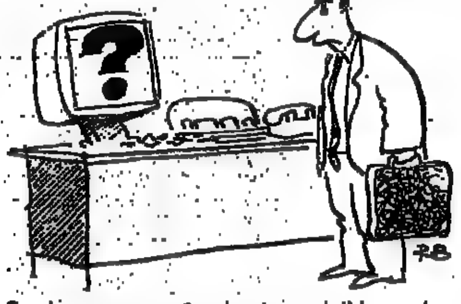
Tough times take toll on retailers

Boots, the UK chemists chain and retailing group, yesterday reported that sales in the final quarter of 1991 had fallen "someway short" of target, prompting a fall in its share price. Marks and Spencer, the food and clothing retailer, confirmed the impression that Christmas had been slow for retailers. Page 22; Sparks fly, Page 10

MCC units may be sold

Price Waterhouse, administrators to Maxwell Communication Corporation, said yesterday that the sale of operating subsidiaries could take place soon following approval of its administration plan by a New York court last Friday. Page 23

Puzzle for fund managers



Fund managers returning to work this week after the extended Christmas and new year break face something of a conundrum. They have to determine the weightings of equities, bonds, property and other investments in their portfolios. This time, the problem is more difficult than it is in most years. Page 37

Steeled for a hard time

Metals producers are bracing themselves for another punishing year in 1992. Recovery in the US is faltering as economic activity in the two remaining generators of growth – Germany and Japan – is slowing. Page 24

Skanska scales down forecast

Skanska, the largest construction and property company in Scandinavia, has scaled down its profits forecast for last year by SKr700m to around SKr1bn ($180m). It made a profit of SKr2.37bn in 1990. Page 16

Further blow for Ratners

Ratners Group, the ailing jewellery group, was dealt a further blow yesterday as both Moody's and Standard & Poor's, the US credit agencies, announced they were to review its shares for possible downgrading in anticipation of poor trading results on both sides of the Atlantic. Page 22

Warburg stabilised BT price

S.G. Warburg Securities, the global co-ordinator for the flotation of the second tranche of British Telecom in December, yesterday said that it had bought 22.5m shares from the UK Treasury as part of the measures designed to help stabilise the share price. The announcement could imply that Warburg has bought up to 96m shares in the stock market since the December 9 float, which could have made it a profit of about £1.5m ($2.73m). Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Falls				Falls			
Colonia Konz N	575	–	15	Dollfus Mieg Cie	259	–	16.5
Industrie Werke	275	–	9	Eurocom	565	–	26
Karstadt	612	–	9.5	Finextel	118.1	–	5.9
Linotype	450	–	10	Gaumont (Sc-N)	650	–	28
Schmalbach Lub	458.5	–	13.5	Navigat'n Mixte	1206	–	63
VEW	216.5	–	7.5	Roussel-Uclaf	1784	–	95
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Compaq	34	+	3	Dainippon Ink	550	+	44
DNA Plant	8½	+	4	Hitachi Inf'mtn	2170	+	180
IBM	94⅝	+	2⅜	Nippon Carbon	1690	+	230
Stone	44½	+	6¼	Toyo Sanso	1160	+	120
Falls				Falls			
Berkshy	4⅞	–	⅞	Nihon Kohden	1100	–	90
Gap	58½	–	8½	Misawa Shokai	651	–	59

LONDON (Pence)							
Rises				Enterprise Oil	418	–	16
Brit Aerospace	300	+	12	Hillsdown	152	–	10
Seaboard	40	+	3	NatWest Bank	263	–	7
Thames TV	169	+	9	Owners Abroad	103	–	4½
Trafalgar Hse	138	+	9	Proteus	188	–	11
Williams Hldgs	311	+	15	Rugby	174	–	6
Falls				Smith (WH) A	423	–	16
Abbeycrest	87	–	14	Stanhope Prps	29	–	5
Airtours	427	–	47	Vodafone	360	–	15
A B Foods	331	–	23	Wassall	226	–	6
Body Shop	337	–	15	Wickes	53	–	7
Buckingham	9	–	4				
Dixons	182	–	7				

Consortium to supply business telecommunications service to Europe and the US

Orion satellite group completes financing

By Hugo Dixon in London

A CONSORTIUM of international companies including British Aerospace yesterday completed the $500m financing to establish an international private satellite system in competition to those owned by the world's telephone companies. The Orion system, to be launched in 1995, will provide business telecommunication services throughout Europe and across the Atlantic.

Orion, which has been under discussion since the mid-1980s, will compete with Intelsat and Eutelsat, the international and European satellite companies owned mainly by public telephone monopolies. The private US-based Pan American Satellite has a smaller competing system.

In addition to being a partner in the venture, BAe will be the prime contractor to supply the satellite system. It will also be a leading service provider via satellite licences it has been awarded in recent years in the UK, Germany and France.

The venture has been structured as a complicated partnership to overcome US regulations which prevent foreigners owning more than 25 per cent of any radio licence. Orion Network Systems, the US group which has been promoting the project, is the general partner, while seven international groups are limited partners of International Private Satellite Partners.

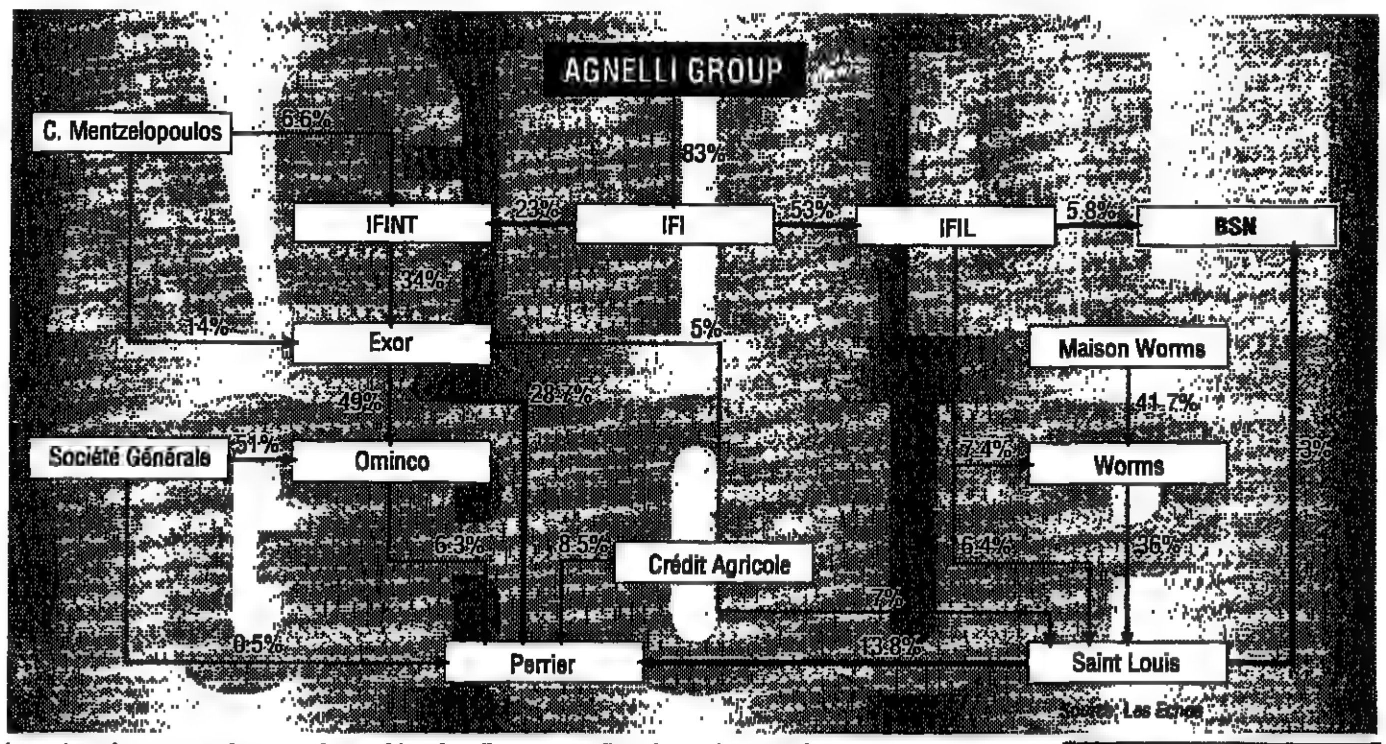
Apart from BAe, the six other groups are: General Dynamics, the US defence manufacturer; Com Dev, the Canadian satellite group; Kingston Communications, the UK local telecommunications company; Matra, the French high technology group; Nissho Iwai, the large Japanese trading company; and Stet, the state-owned Italian telecommunications group. Matra and General Dynamics are sub-contractors to BAe to provide and launch the satellite system. Services will be provided both by the partners collectively through IPSP and individually as several of them have operating licences around the world.

Mr Aidan Paul of Robert Fleming, the UK merchant bank which has been adviser to the project since 1988, said Orion would concentrate on "rooftop-to-rooftop business communications". Businesses would be able to place satellite dishes measuring 1.2 metres across on their roofs and so establish their own private international communications networks.

The $500m financing consists of $90m of equity, supplied by the partners, and $400m of debt, provided by a syndicate led by Chase Investment Bank.

William Dawkins on the Agnellis' increasing investment in the French market

Extended welcome to Italian family



Over the past five years, Italy's Agnelli family has gradually turned itself into France's largest foreign corporate investor, in turnover terms, almost without anybody noticing.

The Agnellis have slid into the French business establishment with patient steps, doing their best to avoid treading on sore spots.

They have led a general increase in Italian investment there and provide an example of how to understand and infiltrate a foreign market, especially one as sensitive to foreign invasion as France.

The latest advance for the Agnellis' French interests comes via Saint Louis, the paper and sugar group in which they have a large minority stake. It has paid FFr1.5bn ($289.5m) for 13.8 per cent of Source Perrier. This stake, formerly held by Perrier itself, has indirectly tightened the Italian family's grip on the world's largest mineral water group. It also brings a powerful French shareholder into Perrier, soothing French fears that the group was about to pass into entirely foreign hands.

Ifil, an Agnelli holding group, owns only 6.4 per cent of Saint Louis – bought last July – but works in partnership with Worms et Cie, the French family-controlled holding group which holds 36 per cent of Saint Louis shares and nearly 49.5 per cent of the voting rights, so giving the pair a clear majority.

Separately, another Agnelli holding company, Ifint, is bidding for Exor, the wine-to-property holding group in which it had been buying shares since the start of last year and which controls 35 per cent of Perrier. Between them, Exor and Saint Louis control 48.8 per cent of Perrier shares.

Saint Louis would hate to be seen as a pawn in the Agnellis' latest move. The deal has an industrial benefit for the sugar and paper group, says Mr Bernard Dumon, Saint Louis' chairman. He told shareholders on Monday that Saint Louis wanted to reinforce its food business and had been in contact with Mr Jacques Vincent, Perrier's recently retired chairman, since 1987. He did not exclude increasing Saint Louis' stake in Perrier further.

So what are the Agnellis up to in France? They may not have a very fixed idea themselves, according to Mr Gian Luigi Gabetti, head of Ifint. "The Agnelli group must not be seen like some monolithic bloc. There is no centralised programme, nor a central brain. What counts is personal connections... Co-ordination at the highest level to avoid collisions in business," he said.

Some Agnelli-watchers in Paris say that, in the food industry at least, the long-term prize is BSN, the leading French food group and Perrier's main competitor in mineral water. BSN's chairman, 73-year-old Mr Antoine Riboud, has made little apparent provision for his succession, and has become one of Italy's biggest food operators with the Agnellis' help.

BSN and Ifil's partnership began in early 1987 when they jointly bought Ferrarelle, an Italian mineral water producer, and exchanged small stakes in each other later that year. Since then, they have snapped up Galbani, the Italian cheese group, the Panzani and Agnesi pasta brands and a stake in Peroni, Italy's largest beer group. Last month, Ifil sold full ownership of its jointly-held Italian mineral waters to BSN, making the French company Italy's leading supplier of mineral water.

The bargain could be that the Agnellis will support Mr Riboud's food and drink ambitions as long as he is at the helm at BSN, on the understanding that their interests will be well placed to succeed him, speculates an observer. Ifil has always stressed that it will do nothing in BSN without Mr Riboud's agreement.

Whatever the Agnellis' ultimate goal, the rules by which they play in France are clear – to observe the sensitivities of the local establishment and to avoid making hostile moves. Ifint, for example, briefly jarred two leading French banks last year by offering to buy only 66 per cent of Exor, but extended its offer to include all of the shares when it saw dissent in the air.

Food and drink is only the latest theme to enter the Agnellis' French interests, which represent an estimated combined turnover of FFr44bn, slightly ahead of IBM France, the second-largest foreign investor. There is a joint leisure venture between Ifil and Accor, the French hotel group, plus minority stakes held by Ifint in the Club Mediterranée holiday group and a number of other French companies.

There are also the French automotive and components businesses of Fiat, the Italian carmaker chaired by Mr Giovanni Agnelli, with a FFr30bn annual turnover. Fiat's French arm is headed by Mr Giorgio Frasca, who made the first contact with Mr Pierre Suard, chairman of the Alcatel Alsthom telecommunications and engineering group, which led in 1990 to the exchange of minority stakes between them. It is the same technique as used to seal the BSN partnership, although in the Alcatel Alsthom deal the pair also exchanged some businesses.

The Agnelli family's recent advances invite the question of whether France is attracting a general inflow of Italian capital. Mr Raul Gardini is another recent investor, with his acquisition of a stake in Sucres et Denrées, the commodity trader.

Not all Italian investors have had a smooth ride, as shown by the losses at Cerus, Mr Carlo De Benedetti's French holding company, following its failed bid for control of Société Générale de Belgique. But that has not dimmed the perception, that with the single European market, the Italian business world sees a profitable home for itself in France.

Lex, Page 14; Gardini looks to fresh horizons, Page 16

Giovanni Agnelli's Fiat group has entered France

Debt downgrade underlines difficulties at Chrysler

By Martin Dickson in New York

THE severe financial pressures facing Chrysler, the smallest of the Big Three US motor manufacturers, were underscored yesterday when Standard & Poor's, the credit agency, lowered its rating of the company's debt.

S&P said the reasons included the weakness of the US car market and the fact that Chrysler had not taken action to improve access to the capital markets for its important and profitable finance arm, Chrysler Financial.

The agency said it had cut the ratings of both Chrysler and Chrysler Financial to single-B-plus from double-B-minus. Chrysler said it was disappointed at the move, which was "not warranted by the current financial outlook".

The leading credit rating agencies reduced Chrysler's debt from investment grade to "junk bond" status about a year ago, which made it more difficult for the company to raise debt capital.

Yesterday's move by S&P will reinforce that position, although Mr Robert Lutz, Chrysler president, said the change would have minimal impact on the company's finances. He added that the company's cash position was "extremely satisfactory, as will be seen in the fourth quarter earnings statement, relative to industry conditions".

Chrysler, in common with Detroit rivals General Motors and Ford, is suffering heavy losses because the US recession has cut demand for cars when US industry faces intense competition from Japanese rivals.

S&P said that Chrysler's cash reserves, saleable assets and access to bank credit should give it adequate financial flexibility at least for 1992.

However, it added that "negative cash flow this year due to persisting weak auto markets would leave Chrysler ill-prepared to meet the challenges it will face thereafter in the intensely competitive North American automobile industry".

It said the fact no restructuring had been implemented heightened concern about Chrysler Financial's ability to cope with heavy debt maturities over the next two years, when more than half its $16bn of debt outstanding is due to be paid back.

"If such actions are not implemented, substantial sales of Chrysler Financial assets will be required," the agency said. "Ultimately, Chrysler Financial's ability to support Chrysler's automotive operations could be affected."

It also pointed out that by the end of 1993 the company would have to contend with substantially higher pension contributions, renegotiation of its bank credit facilities and its labour contract.

Sears, Roebuck to cut $50m in costs

By Nikki Tait in New York

SEARS, ROEBUCK, one of the largest retailers in the US, yesterday announced plans to eliminate around 7,000 jobs through a $60m investment programme in automated "customer service" facilities.

The Chicago-based company, whose management has recently faced shareholder criticism and where retailing profits fell in the third quarter, said it hoped to achieve annual cost-savings of around $50m from this year as a result of the move.

The investment will go on 28,000 new point-of-sale terminals, and 6,000 automated customer-service "mini-kiosks".

Installation of the equipment is due to begin shortly and the company said this should be completed by the end of the first quarter. Sears already operates some service kiosks – where customers can access service and credit facilities, for example – but these are usually in non-sales areas. The current proposal is to place these throughout the sales floors.

Sears said around 1,000 full-time non-sales jobs and around 5,900 part-time clerical positions would be eliminated.

It added that about 676,000 sq ft of back-office space would be converted to sales area.

The company added that employees affected by the moves would be offered the chance to switch to another job in the store. Like most stores groups, Sears has a fairly high level of staff turnover.

The company said it planned to test different delivery options for its catalogue merchandise. The aim was to increase direct home deliveries, reducing the amount of catalogue merchandise held at store pick-up areas. Sears sub-contracts most of the delivery operation.

The US retailer has been under pressure recently; the merchandise group, which covers the stores, catalogue business and the Sears credit card, reported a 60 per cent fall in after-tax profits in 1990 to $257.4m, and cost-cutting has become a priority.

Sears has been hit by the expansion of Wal-Mart, the successful Arkansas-based discount retailer, and by K-Mart's more aggressive stance. These two large retail rivals have significantly lower cost bases.

Former Lonrho director joins Vestey Group unit

By Michiyo Nakamoto in London

UNION International, the troubled arm of the Vestey Group, one of Britain's largest private companies, has appointed Mr Terry Robinson, a former executive director of Lonrho, the international trading group, as chief executive and a director.

The appointment comes amid mounting speculation over the future of Union, which could face administration if it is unable to win the support of bankers for a rescheduling of its substantial borrowings.

Union, which announced in October that it may breach its banking covenants, is in discussions with more than 70 international banks over the rescheduling of loans totalling about £350m ($637m).

It recently appointed Schroders as financial adviser and the appointment of a chief executive from outside the group is part of its restructuring. Mr Tim Vestey, who has led the group through its recent rocky period, will remain a director of Union and general manager of Vestey Group.

Mr Robinson, 47, recently resigned from Lonrho where he has been a group management accountant and since 1981, a director of the group. As one of Lonrho's most outspoken directors, he has often been mentioned as a possible candidate to succeed Mr Tiny Rowland, the group's 74-year-old chief executive.

At Lonrho, he was instrumental in shaping the group's defence against Mr Alan Bond, the Australian entrepreneur who built up a hostile stake in the group nearly three years ago.

Mr Robinson said his appointment at Union was "very useful in establishing a positive relationship with the banks," and that the experience with developing countries which he gained at Lonrho and in developing strategies for businesses would serve him well at Union.

Union, which is involved in businesses ranging from meat wholesaling and retailing to property development, is burdened with unlet property developments that are likely to lead to a write-down of more than £60m, and has been hit by recession in its major markets and hyper-inflation in Brazil where it has cattle interests.

While there was "every chance of moving out of any of the businesses," Mr Robinson said he believed the agro-industries would remain the rationale for Union.

Observer, Page 18

Skanska to cut forecast of profits by SKr700m

By Robert Taylor in Stockholm

SKANSKA, the largest construction and real estate company in Scandinavia, has scaled down its profits forecast for last year by SKr700m to around SKr1bn ($180m). It made a profit of SKr2.37bn in 1990.

Skanska said the main reason for its latest gloomy profits prognosis stemmed from the financial troubles incurred by Selmer, Norway's biggest building company, in which Skanska has a one-third interest.

Selmer's other main shareholders are the troubled Norwegian banks, Christiania and den Norske, who joined Skanska in 1990 in a rescue of the company.

Skanska also blamed the "turbulence in the exchange and money markets during the autumn" as well as falling property values for the further revision in its profits forecast.

Selmer is estimated to have incurred a loss of SKr750m in 1991 because of difficulty in selling apartments in Oslo and in Spain as well as problems with its energy projects.

At a special shareholders' meeting held by Selmer on January 3, it was decided to write down the value of the Norwegian company's capital to zero. This meant a write-off of SKr297m for Skanksa. It was also agreed to make a new share issue in Selmer worth NKr350m, though Skanska has still not made up its mind whether it will participate.

Skanska had earlier proposed a financial reconstruction for Selmer based on the provision of further credit for it from the Norwegian banks. However, the banks opposed this and made a counter-offer suggesting that Skanska should guarantee the further credit provisions for Selmer, something that Skanska in turn rejected.

Last October, Skanska reported profits (after financial items) for the first eight months of 1991 of SKr1.19bn, against SKr1.71bn. At that time it said it expected a profit for the year of around SKr1.7bn after estimated write-downs of SKr900m.

High-tech plastics joint venture

By William Dawkins in Paris

ELF ATOCHEM, the chemicals subsidiary of Elf Aquitaine, the French oil group, is considering a worldwide joint venture in high-performance plastics with Rohm and Haas, the US maker of Plexiglas.

The companies are planning three joint ventures, for their acrylic sheet and powder moulding businesses, covering the US, western Europe and the rest of the world, to reduce manufacturing costs, share research and development and expand their product lines.

High-performance plastics are used in buildings, car components and trim, sanitary ware, furniture and street signs, and the industry is dominated by some of the world's largest chemicals companies.

Elf Atochem would not give the market share of its high-performance plastic, Altuglas, but it said: "To stay competitive in the coming decade, a company must be present on at least two, if not on the three, main markets – Europe, northern America and Asia. It is already a reality for other producers."

The US joint venture will be 51 per cent controlled by Rohm and Haas; Elf Atochem will control the European business and the company for the rest of the world will be equally owned. Elf Atochem has annual sales of FFr50bn ($9.6bn), of which the equivalent of $250m is in performance plastics, about the same as Rohm and Haas, which has total sales of $2.8bn.

GEC Alsthom buys German unit

By Andrew Baxter

GEC ALSTHOM, the Anglo-French power engineering and transportation equipment group, has strengthened its presence in eastern Germany through the acquisition of Berlin-based TRO's high voltage switchgear and instrument transformer activities.

No terms for the deal were disclosed, but TRO is the main supplier for these products in eastern Germany. TRO is a much larger manufacturing company which is in the hands of the Treuhand, the privatisation agency.

The activities being sold have an annual turnover of DM50m (US$33m), and will be taken over by Concordia Sprecher Energie, GEC Alsthom's German subsidiary in high voltage switchgear and transformers. German turnover in this sector will rise to DM130m, giving GEC Alsthom a dominant market position.

The acquisition is seen by GEC Alsthom as a strategic move. The company is cautious about business prospects, but the TRO business could benefit from infrastructural spending by utilities and municipalities.

As part of the deal, the Anglo-French group has won agreement that it needs to employ only 200 people at the facilities it is acquiring, a much smaller number than had been employed by TRO.

Gardini looks to fresh horizons

William Dawkins examines an expanding food processing alliance

MR RAUL Gardini, former chief of Italy's Ferruzzi agro-industrial and chemicals group is branching out on his own, and adding to the pace of Italian expansion into the world food processing business.

It was early December when Mr Gardini and his French business associate Mr Jean-Marc Vernes, paid FFr1.65bn ($318m) for a large slice of France's commodities industry.

They went on to attract help from an international consortium of some of the biggest players in the world sugar, grain and starch industries, creating a large and potentially very influential alliance, with tentacles in the US, across Europe and in the territories of the former Soviet Union.

The deal gave Mr Gardini and his allies majority control of Cacao Barry, the world's largest cocoa bean processor, and Sogéviandes and Vital, France's largest meat trader and processor, plus a stake in their former owner, loss-making Sucres et Denrées (Sucden), France's top commodity dealer.

It makes Mr Gardini a potential competitor to Béghin Say, the French sugar group chaired by Mr Vernes, which is controlled by Ferruzzi. Mr Gardini said he would try to avoid competing against Eridiana, Ferruzzi's sugar division, "but if we can't avoid it, we can't," he added.

Mr Gardini, chairman of Gardini e Associati (GEA), the holding group which controls the former Sucden companies, will spend much of this month visiting managers before settling on firm plans.

The establishment of food processing businesses in eastern Europe, where demand can only grow and where "the exporter must become an investor", may become a priority, said Mr Gardini. "One can set up in a market that needs imports, but if possible, one must also get established in the country. Currently, neither Cacao Barry nor Sogéviandes are in the countries of eastern Europe. We will have to reflect on this," he said.

He wants wider co-operation with his partners, Archer Daniel Midland (ADM), the large US grain processing company, Tate & Lyle of the UK and CIP, the Luxembourg-based holding group which controls extensive European starch interests. Each have a 5 per cent stake in GEA. Tate & Lyle admitted just after the deal that GEA was more interesting as a "convenient vehicle" for pooling the partners' world contacts and industry insights, than as an investment in the Sucden businesses.

It is too early to go into details. "The knowledge that each partner has of international affairs could lead to joint projects. Our territory is the experience that each one of us has. Rather than fighting between us on certain projects, we will be able to realise them together," said Mr Gardini.

He dismissed any suggestion that his new partners would hold the whip hand over GEA, by virtue of their market power and the close links that exist between them.

"This is a natural and simple association between people from the same profession," insisted Mr Gardini, pointing out they have all agreed that he should be "president director general of the group in the French sense of the term", meaning that he has wider powers than an Anglo-Saxon chairman or chief executive. He added that it was he who asked them if they would like to join, rather than the other way round.

Raul Gardini: a natural and simple association

Mr Gardini said he had an "intellectual affinity" with Mr Dwayne Andreas, the 73-year-old head of ADM, who has extensive and very highly placed contacts in the former Soviet Union.

Mr Pierre Callebaut, chairman of CIP and Mr Neil Shaw, chairman of Tate & Lyle are "old acquaintances," added Mr Gardini, though senior French sugar industry executives said they thought the Englishman and Mr Gardini were fierce competitors.

The close ties between Mr Gardini's new allies are not surprising, given the clubbish traditions of the world sugar industry. ADM, for example, is Tate & Lyle's largest single shareholder, while CIP's Mr Callebaut has been on the UK company's board since 1988 and is said to be a close ally of Mr Andreas. Tate & Lyle and CIP jointly own CST, a leading European starch and sweetener group.

Mr Gardini, Mr Jean-Marc Vernes and the Société Centrale d'Investissement (SCI), a French investment company which they jointly control, have 85 per cent of GEA between them, with the rest in the hands of their allies. "We have not thrown out the idea of having other associates so long as there are no conflicts of interests. This will permit us to enlarge our horizons," said Mr Gardini.

The progress of the alliance will be watched with the keenest interest by the French commodities industry.

Rival food industry executives do not believe that Mr Gardini's arrival can be seen as a guarantee of survival for the troubled Sucden, which has made heavy job cuts and raised a FFr1.1bn bridging loan from its banks since losing FFr476m in 1990.

The French government seems to have taken on the role of defender of Sucden's fortunes, after its controversial decision in November to allot to Sucden and Interagra, another French food group, a $405m, food-for-oil barter deal with the Soviet Union.

This move raised a chorus of protest from French commodity group competitors, which claimed they were not asked to tender for this important contract.

However, the arrival of Mr Gardini does give Sogéviandes and Cacao Barry an ambitious and cash-rich parent, in place of a deeply indebted one.

Porsche sales slump in US

PORSCHE, the German luxury sports car company whose earnings have suffered as a result of weakness in world markets, yesterday said sales in the US had slumped from 9,100 to 4,400 last year, writes Andrew Fisher in Frankfurt. In December, they totalled 270 cars against 800 the year before.

The steep decline in what used to be its dominant market – it sold nearly 70 per cent of output in the US before business was hit by the 1987 stock market crash and dollar weakness – was generally expected in view of the recession in the US and the problems of the motor sector in North America.

Porsche will next week spell out details of its performance at its annual press conference near Stuttgart. It has already said that net profits in its financial year to July 31 1991 fell to less than DM60m ($39m) from DM68.4m.

Regional Visa chief resigns

MR JACQUES KOSCIUSKO, managing director of Visa International's Europe, Middle East, and Africa region, has resigned after less than two years in the job, writes David Barchard.

The region is Visa's largest after the US and one of the main growth markets for the international plastic card and travellers cheque payment system. Mr Kosciusko's decision took UK Visa member banks by surprise yesterday.

Barclaycard, the largest Visa issuer outside the US, said that it was sorry to see him go so soon.

A statement from Visa International's London offices yesterday said that Mr Kosciusko, who joined Visa in February 1990, was returning to France for strong personal reasons.

His successor is Mr Jean-Jacques Desbons, 57, executive vice-president for consumer products at Visa International.

The Power of Ideas: M&A 1991.

During 1991, corporations around the world aggressively focused on restructuring both their balance sheets and their basic businesses. Their primary goal was to become globally competitive. Assets which did not meet this objective were sold, and operations which offered a competitive advantage were merged or acquired. The result:

122 Merger and Acquisition clients in 21 countries chose CS First Boston to advise them on over $56 billion in transactions.

Major sectors of activity included consolidation in the U.S. commercial banking industry, worldwide privatizations, the development of Eastern Europe and a broad resurgence in Latin America. CS First Boston played a significant role in every one of these areas.

As 1991 clearly demonstrated, clients cannot afford to wait for change. Together, we must anticipate it and then use our insights, experience and resources to take advantage of it. This new global environment puts a premium on ideas and the people who can turn them into successful results. Results like the ones you see on these three pages.

CS First Boston Client	Description of Transaction
Automotive	
Augat Inc.	Acquisition of National Industries, Inc.
Bratislavske Automobilove Zavody	Establishment of a new Company with Volkswagen AG
Ford Motor Company	Divestiture of Ford New Holland, Inc. to Fiat S.p.A.
Pegulan-Werke AG, a subsidiary of Stora AB	Sale of Durmont to Girozentrale et al.
Republic of Poland	Sale of 51% Interest in Fabryka Samochodow Malolitrazowych S.A. to Fiat S.p.A. (Pending)
Skoda Automobilovy Koncern, s.p.	Establishment of a new Company with Volkswagen AG
Chemicals & Allied Products	
Ecolab Inc.	Joint Venture and Acquisition of the Cleaning and Sanitizing Businesses of Henkel KGaA
M. A. Hanna	Acquisition of Colorant and Additive Concentrates Business from Akzo N.V. (Pending)
Hungarian State Property Agency	Privatization of Oxigén és Dissousgázgyár Kft to Messer Griesheim GmbH (a member of the Hoechst Group)
Roche Holding AG	Divestiture of the Plant Protection Operations of The Maag Group to Ciba-Geigy
Consumer Products & Services	
American Standard Inc.	Divestiture of Tyler Refrigeration to Kelso & Company
Countess York of California, Inc.	Sale of 45% Interest to Inter-American Partners
Envirosafe Services, Inc.	Acquisition of Remaining Interest by EnviroSource Inc. (Pending)
Fedders Corporation	Acquisition of the Emerson Quiet Kool Division from Jepson Corporation
Hungarian State Property Agency	Privatization of Lehel Hűtőgépgyár Rt. to AB Electrolux
MacAndrews & Forbes Group Inc.	Divestiture of Crosman Products Incorporated to Worldwide Sports & Recreation Inc.
Pegulan–Werke AB, a subsidiary of Stora AB	Sale of Richetti to Partek OY
Reebok International Ltd.	Repurchase of 32% Interest from Pentland Group plc
Revlon, Inc.	Divestiture of Max Factor and The Betrix Cosmetics and Fragrances to The Procter & Gamble Company
Revlon, Inc.	Divestiture of Clean & Clear Cosmetics to Johnson & Johnson
Sara Lee Corporation	Acquisition of Majority Interest in Compack Trading and Packing Company from the Hungarian State Property Agency
Sara Lee Corporation	Acquisition of 9 Textile and Apparel Businesses from Linter Group Limited
Sara Lee Personal Products (Australia) Pty. Ltd.	Divestiture of Pelaco Group Pty. Ltd. to Gazamore Pty. Ltd.
Sara Lee Personal Products (Australia) Pty. Ltd.	Divestiture of Yarn Businesses of Bradmill Textiles and National Textiles to Rocklea Spinning Mills
Simsmetal Waste Management Services Pty. Limited	Divestiture of Waste Management Division to Ipodec Ordures Usines SA
The Stanley Works	Advice with Respect to Hart-Scott-Rodino Filing by Newell Co.
Svenska Cellulosa Aktiebolaget SCA	Divestiture of Austrian Tissue Operations to Papierwerke Waldhof-Aschaffenberg PWA
Taramat s.a.	Joint Venture with Whirlpool International B.V. Taking a 43% Interest (Pending)
Tonka Corporation	Sale of Company to Hasbro, Inc.
Unifi, Inc.	Acquisition of Macfield, Inc.
Financial Institutions	
Banco de Crédito Industrial	Fairness Opinion on Merger with Banco Exterior de España, S.A.
Banco Commercial Antiogueno	Merger with Banco Santander (Colombia)
C&S/Sovran Corporation	Stock Swap Merger with NCNB Corporation to form NationsBank Corporation (Ticker Symbol: NB) (Pending)
California Federal Bank FSB, a subsidiary of CalFed Inc.	Divestiture of Trust Services of America, Inc. to Northern Trust Corporation (Pending)
Comerica Incorporated	Acquisition for Stock of Plaza Commerce Bancorp
Comerica Incorporated	Merger for Stock with Manufacturers National Corporation
Federal Government of the United States of Mexico	Privatization of 78.6% Interest in Banca Confia S.A. to an Investor Group

CS FIRST BOSTON

1991 M&A Results (Continued)

CS First Boston Client	Description of Transaction
Federal Government of the United States of Mexico	Privatization of Banca Cremi S.A. to Multivalores
Federal Government of the United States of Mexico	Privatization of Banco de Credito y Servicios Bancreser to an Investor Group
Federal Government of the United States of Mexico	Privatization of a 70.7% Interest in Banco Nacional de México (Banamex) to Acciones y Valores
Federal Government of the United States of Mexico	Privatization of Banco de Oriente to Grupo Margen
Federal Government of the United States of Mexico	Privatization of Banpais S.A. to C.B.I., Mexival
Federal Government of the United States of Mexico	Privatization of 77% of Multibanco Mercantil de México S.A. to Grupo Financiero Probursa
Federal Government of the United States of Mexico	Privatization of Bancomer S.A. to Valores de Monterrey S.A.
First American Bankshares, Inc.	Divestiture of Valley Fidelity Bank & Trust Company to First Tennessee National Corporation
Hibernia National Corporation	Divestiture of Credit Card Operations to First USA Inc.
House of Fraser	Divestiture of Retail Credit Card Operations to General Electric Capital Corporation
MCorp	Divestiture of MBank Waco and El Paso to Investor Groups
Midlantic Corporation	Divestiture of United Penn Bank to Mellon Bank Corporation
Midlantic Corporation	Divestiture of York Bank and Trust Company to First Maryland Bancorp
Österreichische Länderbank AG	Merger for Stock with Zentralsparkasse und Kommerzialbank Wien AG
People's Bank	Sale of Credit Card Portfolio to Bank One Corporation
Security Pacific Corporation	Stock Swap Merger with BankAmerica Corporation (Pending)
Society Corporation	Acquisition for Stock of Ameritrust Corporation (Pending)
Society Corporation	Divestiture of Trustcorp Bank Huntington, N.A. to Fort Wayne National Corporation
South Carolina National Corporation	Merger for Common Stock with Wachovia Corporation
Thomas H. Lee Company	Acquisition of Old Stone Credit Corporation from Old Stone Corp.
United Banks of Colorado, Inc.	Merger for Stock with Norwest Corporation

Food & Beverage

Brierley Investments Limited	Sale of 14.17% Interest in Lion Nathan Limited to an Investor Group
Cereal Foods Limited	Sale of the Biscuit Businesses and Nabisco Brand Names of Cereal Foods Limited to Lanes Biscuits Pty. Limited
Garvey Holding AG	Sale of 89.3% Interest in OMSA Alimentacion S.A. to Management
Glenmore Distilleries, Inc.	Sale of Company to United Distillers, a unit of Guinness Plc
Heineken International Beheer B.V.	Acquisition of 50.3% Interest in Komáromi Sörgyár
Iberlat, S.A.	Acquisition of 50% Interest in Lactaria Española, S.A. (Pending)
Procordia AB	Sale of W. Weibull AB to SLR (Pending)
Republic of Poland	Privatization of a 40% Interest in E. Wedel S.A. to PepsiCo, Inc.
Whitman Corporation	Spinoff of Pet Incorporated

Health Care

American Medical International, Inc.	Divestiture of 3 Acute Care Hospitals to PSL Healthcare System, Inc.
American Medical International, Inc.	Divestiture of Comprecare Holdings, Inc. to an Investor Group
E. I. du Pont de Nemours and Company	Divestiture of Isostat Microbial System to Carter-Wallace, Inc.
E. I. du Pont de Nemours and Company	Divestiture of Oncogene-based Cancer Diagnostics Initiative to Applied BioTechnology
E. I. du Pont de Nemours and Company	Divestiture of Vista Immunoassay System to Syva Company, a subsidiary of Syntex Corporation
Hospital Corporation International Ltd.	Merger with Bioplan Holdings plc (Pending)
Quail España, S.A.	Joint Venture with National Medical Enterprises, Inc. to form New Teknon S.A.
Rhone-Poulenc Rorer, Inc.	Sale of Certain Assets of Woelm Pharma GmbH to a 50-50 Joint Venture with Johnson & Johnson and Merck & Co.

Industrial & Other

ABB Asea Brown Boveri Ltd	Divestiture of Dry Branch Kaolin Company to Imetal S.A.
ABB Asea Brown Boveri Ltd	Divestiture of Georgia Kaolin Company, Inc. to ECC Group PLC
Beheersmaatschappij ENBI BV	Divestiture of ENBI Group to Koninklijke Nijverdal-Ten Cate (Pending)
Cookson Group Plc	Sale of 80.4% Interest in Cookson Plibrico Ltd. to Asahi Glass Co., Limited
Cross & Trecker Corporation	Sale of Company to Giddings & Lewis, Inc.
Itel Corporation	Divestiture of Great Lakes International to Blackstone Capital Partners, L.P.
Ishikawajima-Harima Heavy Industries Co., Ltd.	Sale of 20% Interest in Jurong Shipyard Limited to an Investor Group
Lawson Mardon Group Limited	Advice to Special Committee with Respect to Sale of an Interest held by Roman Corporation to Standuff Company, a unit of Cragnotti & Partners Capital Investment
Lion Nathan Limited	Divestiture of 75% Interest in New Zealand Can Ltd. to Amcor Limited
Lundrigans-Comstock Limited	Sale of Comstock Canada Limited to JWP, Inc.
Océ-van der Grinten N.V.	Acquisition of the Bruning Division from AM International
Oerlikon-Bührle Holding Ltd.	Divestiture of the Welding Division to Soudure Autogene Francaise, a subsidiary of L'Air Liquide
Papíripari Vállalat	Sale of Majority Interest in Szolnok Papier Rt., a subsidiary of Papíripari Vállalat, to Brigl and Bergermeister Papierfabrik Aktiengesellschaft
Treuhandanstalt	Sale of Comac AG's Underwater Pumps Division of Spezialpumpen Berlin to Dresser Industries, Inc.
Treuhandanstalt	Sale of Dittersdorfer Hydraulik GmbH, a subsidiary of ORSTA-Hydraulik AG, to WR-Armaturen GmbH
Treuhandanstalt	Sale of Piston Rod Division Stasskol GmbH of Comac AG to Management
United Dominion Industries Limited	Acquisition of Certain Businesses from Robertson-Ceco Corporation (Pending)

Insurance

ABB Asea Brown Boveri Ltd	Advice on Restructuring of Sirius Gruppen AB
AmBase Corporation	Divestiture of Commonwealth Insurance Company to Fairfax Financial Holdings Limited
AmBase Corporation	Divestiture of Home Insurance Company to TVH Acquisition Corporation, an affiliate of Trygg-Hansa SPP Group
Associated Insurance Companies, Inc.	Acquisition of Shelby Insurance Company from Alleghany Corporation (Pending)
CalFed Inc.	Divestiture of Beneficial Standard Life Insurance Company to Conseco Capital Partners, L.P.
Metropolitan Life Insurance Company	Acquisition of Certain Pension Business from The Mutual Life Insurance Company of New York
Phoenix Mutual Life Insurance Company	Merger with Home Life Insurance Company (Pending)
Topdanmark A/S	Advice with Respect to European Partnership (Pending)

Media & Telecommunications

American Television & Communications Corporation	Advice with Respect to Offer by Time Warner Inc. for Remaining Interests (Pending)
The Australian Government	Sale of Aussat Pty. Ltd. and licenses to operate Second Telecommunications Carrier to Optus Communications Pty. Ltd, a consortium of BellSouth Corporation, Cable Wireless Plc, Mayne Nickless Limited, AMP Society, NML Association and AIDC Fund
General Cinema Corporation	Acquisition of Harcourt Brace Jovanovich, Inc.
NYNEX Corporation	Divestiture of NYNEX Business Centers for Cash and Preferred Stock to Computerland Corporation
Pacific Telesis Group	Joint Venture and Related Transactions with Cellular Communications, Inc.
Providence Journal Company and Kelso & Company	Acquisition of King Broadcasting Company (Pending)
Taft Broadcasting Partners, Ltd.	Sale of Interest in WPHL Inc. to Tribune Broadcasting Company, a unit of Tribune Company (Pending)
Taft Broadcasting Partners, Ltd.	Sale of WGHP-TV to Great American Communications, Inc. (Pending)
TPI Enterprises, Inc.	Formation of Exhibition Enterprises Partnership with American Multi-Cinema, Inc.
TVX Broadcast Group Inc.	Sale of Company to Paramount Communications, Inc.

1991 M&A Results (Continued)

Natural Resources

CS First Boston Client	Description of Transaction
The Anschutz Corporation	Sale of Certain Assets to Kerr McGee Corp. and Nippon Oil Ltd.
Arkla, Inc.	Acquisition of Minority Interest in Arkla Exploration Company (Pending)
Baker Hughes Incorporated	Divestiture of Baker Hughes Vetco Services to Tuboscope Corporation
BASF Corp.	Divestiture of Wintershall Energy (Pending)
Cabot Oil & Gas Corporation	Advisor to the Special Committee of the Board of Directors Regarding Cabot Corp. Exchange Offer
Elcor Corporation	Divestiture of Gory Associated Industries, Inc. to Redlands, plc
First Mississippi Corp.	Sale of Certain Assets to Swift Energy Inc.
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Saskatchewan Oil and Gas Corporation
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Chauvco Resources Ltd.
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Lasmo Canada Inc.
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Texaco Canada Petroleum Inc. and Mission Energy Fuel Company
Imperial Oil Limited	Divestiture of Certain Oil and Gas Properties to Various Buyers
Kilroy Co. of Texas, Inc.	Divestiture of Oil and Gas Assets to Nuevo Energy
National Intergroup, Inc.	Divestiture of Permian Partners, L.P. to Ashland Oil, Inc.
NERCO Inc.	Acquisition of U.S. Gulf Coast Offshore Division from Union Texas Petroleum Holdings, Inc.
NZFP Resources Limited	Sale of 49.6% Interest in Bridge Oil Limited to an Investor Group
NZFP Resources Limited	Divestiture of Mawson Pacific Limited to Reynolds Australia Metals Ltd.
NZFP Resources Limited	Divestiture of North American Oil and Gas Fields to New London PLC
NZFP Resources Limited	Divestiture of Red Dome Gold Mine to Niugini Mining Limited
NZFP Resources Limited	Sale of Interest in Wafi Gold Venture to CRA Limited
QFB Partners	Divestiture of Petrolane Gas Service Limited Partnership (Pending)
Sunshine Mining Company	Divestiture of U.S. Oil and Natural Gas Reserves to Sonat, Inc.
Tenneco Inc.	Divestiture of Tenneco Natural Gas Liquids Corp. and Tenneco Methanol Co. to Enron Gas Processing Company, a subsidiary of Enron Corporation (Pending)
Texscan Corporation	Advice with Respect to Management Buyout
Unocal Corporation	Divestiture of Southeastern U.S. Petroleum Products, Marketing and Distribution Operations to Louis Dreyfus Energy Corp. (Pending)

Technology

CS First Boston Client	Description of Transaction
Argo-Tech Corporation	Divestiture of Aircraft Accessories Division to Vestar Capital Partners, Inc.
Bicoastal Corporation	Sale of Simuflite Training International to Southern Air Transport, Inc.
Bicoastal Corporation	Sale of Librascope Corporation to Loral Corporation
E. I. du Pont de Nemours and Company; N.V. Philips Gloeilampenfabrieken	Divestiture of Optical Disk Manufacturing to OD & ME Service B.V. and OD & ME Systems B.V.
E. I. du Pont de Nemours and Company; N.V. Philips Gloeilampenfabrieken	Divestiture of U.S. CD-ROM Operations, a unit of the Philips & DuPont Optical Joint Venture to Disc Manufacturing, Inc., a subsidiary of Quixote Corporation
E. I. du Pont de Nemours and Company; N.V. Philips Gloeilampenfabrieken	Divestiture of U.S. Plastic Magneto-Optic Rewriteable Disk Operations, a unit of the Philips & DuPont Optical Joint Venture to Mitsubishi Kasei Corporation and its U.S. subsidiary Verbatim Optical Corporation
Electronic Data Systems Corporation, a subsidiary of General Motors Corporation	Acquisition of SD-Scicon plc
First Financial Management	Acquisition of Alta Health Strategies, Inc. (Pending)
Hercules Incorporated	Divestiture of Aircraft and Electronics Units to B.F. Goodrich Company
Infotron Corporation	Merger with Gandalf Technologies, Inc.
Lockheed Corporation	Advice with Respect to Proxy Contest from NL Industries, Inc.
NEC Corporation	Sale of Interest in Bull HN and Purchase of Interest in Compagnie des Machines Bull
Nokia Oy	Divestiture of Nokia Data to ICL Plc, a unit of Fujitsu Limited
NZFP Resources Limited	Divestiture of 50% Interest in Kaiser Engineering Limited to American Capital and Research Corporation
Schrack Electronik AG	Sale of 83% Interest to Creditanstalt Bankverein and Ericsson
Sumitomo Metal Industries, Ltd.	Acquisition of 10% Interest in Read-Rite Corporation and Formation of Japanese Joint Venture
Varian Associates Inc.	Divestiture of Cyropump Division to Ebara Corporation
Varian Associates Inc.	Divestiture of Dry Vacuum Product Line to Vacuum Research Corporation
Varian Associates Inc.	Divestiture of Radio Frequency Subsystems to Signal Technology Corporation
Varian Associates Inc.	Divestiture of Several Non-Core Operations to DKP Electronics, Inc.
Varian Associates Inc.	Divestiture of Solar Cell Product Line to Kopin Corporation
Varian Associates Inc.	Divestiture of Solid State Operations to Litton Industries, Inc.
Varian Associates Inc.	Divestiture of Space Communications Operations to Hughes Aircraft Company
Varian Associates Inc.	Divestiture of Vacuum Systems, Electro-Optic Division and Molecular Beam to Intevac Corporation

Transportation

CS First Boston Client	Description of Transaction
Deutsche Lufthansa AG	Acquisition with Japan Air Lines Company, Ltd. and Nissho Iwai Corporation of 57.5% Interest in DHL Worldwide Express
The Government of Venezuela	Privatization of 60% Interest in VIASA to Iberia Lineas Aereas de España, S.A. and Provincial Financial Group
Iberia Lineas Aereas de España, S.A. and Argentine Investors	Acquisition of 85% Interest in Aerolineas Argentinas

Utilities

CS First Boston Client	Description of Transaction
Fuerzas Electricas de Cataluña, S.A.	Sale of 25% Interest to Empresa Nacional de Electricidad, S.A. (Pending)
Iowa Southern Inc.	Merger for Common Stock with IE Industries Inc.
The Kansas Power & Light Company	Merger for Cash and Stock with Kansas Gas & Electric Company (Pending)
Public Service Company of New Hampshire	Merger for Cash and Securities with Northeast Utilities
Servicios Eléctricos del Gran Buenos Aires (SEGBA)	Privatization (Pending)
The Washington Water Power Company	Acquisition of Natural Gas Distribution Assets of CP National Corporation from ALLTEL Corporation

First Ideas, Then Results.

CS FIRST BOSTON

INTERNATIONAL COMPANIES & CAPITAL MARKETS

AT&T and NEC start advanced chip project

By Alan Cane

AT&T of the US and NEC of Japan are strengthening their collaboration in semiconductor technology to develop a high-performance memory chip which does not require continual electronic refreshment.

The companies said they intended to work together to design and manufacture fast static random access memory chips (S-RAMs) able to store up to 4m bits of information. The project will involve further co-operation between NEC and AT&T's Bell Laboratories.

S-RAM chips are used in a wide range of electronic circuitry where they can have power-saving advantages over D-RAMs, the most common kind of electronic memory.

The S-RAM chips will be manufactured by NEC and sold by both companies.

The agreement is a step towards the establishment of manufacturing technologies for the next generation of semiconductors.

AT&T and NEC agreed last April to work on developing technology for advanced chips with memories four times more dense than current methods allow.

The agreement is one of several between Japanese and US semiconductor companies aimed at easing trade friction between the two countries. Other examples include an agreement between Hitachi and Texas Instruments.

Separately, International Business Machines of the US and Siemens of West Germany are collaborating on advanced memory design.

LSI Logic pulls out of US semiconductor consortium

By Louise Kehoe in San Francisco

SEMATECH, the US semiconductor consortium set up some five years ago to develop world-beating chip manufacturing technology and stem Japanese competition, has lost one of its founding member-companies.

LSI Logic has withdrawn from the consortium, marking the first defection from the industry group since Sematech was formed.

LSI's executives said they disagreed with the direction that Sematech had taken and disapproved of Sematech's increased emphasis on supporting US semiconductor production equipment manufacturers.

Two more of Sematech's original 14 member-companies are believed to be considering pulling out. However, Sematech's future is not in doubt. The consortium has strong support from its leading members, including International Business Machines, Hewlett-Packard, Intel, Motorola and Texas Instruments.

LSI Logic's departure "leaves a dent, but not a serious one," said Mr William Spencer, Sematech chief executive. Its departure comes as the industry group is asking for extended government funding for the next five years.

Sematech receives half of its annual $200m budget from the US Department of Defence and the remainder from member-companies. Sematech officials remain confident of continued government support, noting that the group has strong congressional backing for its efforts to increase the international competitiveness of the US semiconductor industry.

However, LSI Logic's withdrawal from Sematech demonstrates the difficulties of collaboration among competing US chip-makers.

"Sematech has significantly shifted its direction since the consortium was formed," said Mr George Wells, LSI Logic president and chief operating officer. The group's current programme is "not what we signed up for", he complained.

"Shoring up the US semiconductor production equipment industry may well be a good idea but it is not where we wanted to see Sematech put its funds."

LSI, the leading manufacturer of application-specific integrated circuits chips that are tailored to meet the needs of individual customers, said the technology requirements of its specialised products have diverged significantly from those of mass production commodity chips over the past few years.

Profits at Paramount slide 52% to $122m

By Karen Zagor in New York

PARAMOUNT Communications, the US entertainment and publishing company, yesterday blamed its 52.8 per cent decline in last year's earnings on a poor performance in entertainment and lower interest income.

For the fourth quarter to October 31, its profits fell 24.6 per cent to $83.3m, or 70 cents a share, from $110.5m, or 93 cents, a year earlier. Revenues eased slightly to $1.17bn from $1.18bn.

For the whole of 1991, Paramount had net income of $122.2m, or $1.03 a share, against $259.1m, or $2.19. Revenues in 1991 were $3.9bn, compared with $3.87bn in 1990.

Paramount's provision for tax was $39.2m in the 1991 quarter, against $41.9m a year ago.

Earnings for the year include an after-tax charge of $35.4m for write-downs on some film and television development commitments and reorganisation costs. Paramount's provision for tax in 1991 was $57.5m, against $121.9m a year earlier.

Mr Martin Davis, chairman and chief executive, said: "Fiscal 1991 results were clearly disappointing. However, we are confident that the decisive steps we have taken to strengthen management, improve our infrastructure and sharply pare overhead costs will produce markedly better results in 1992 and in the long term."

The recent changes at Paramount include the surprise appointment last spring of Mr Stanley Jaffe as president and chief operating officer. Mr Jaffe's appointment was followed by the abrupt resignation of the head of Paramount's entertainment division, Mr Frank Mancuso, who was replaced by Mr Brandon Tartikoff.

Paramount said the results were in line with expectations, and shares in the company rose $1¼ to $40⅝ on the New York Stock Exchange.

Income from motion pictures was affected by a series of weak film releases, but Paramount's publishing division had strong operating income.

Madison Square Gardens' loss in the fourth quarter and the year reflected higher programming expenses at MSG Network, costs related to the venue's official reopening in September, and the opening of a new 5,600-seat theatre.

OBU assets rise 1.1% in third quarter

By Mark Nicholson, Middle East Correspondent

TOTAL assets for Bahrain's Offshore Banking Units (OBUs) rose marginally in the third quarter of last year, but were more than 10 per cent down on the same period in 1990 – a measure of the limited revival of confidence in the Gulf's banking centre since the Gulf war.

Figures released by the Bahrain Monetary Agency (BMA), the Emirate's central bank, show assets to have risen 1.1 per cent cent in the third quarter to $51.578bn, compared with the second quarter. But total footings were 10.7 per cent down on the same period in 1990.

The BMA reported that total assets of OBUs in June 1991 stood at $51.007bn. However, the preceding June assets stood at nearer $71.2bn before the shock to confidence caused by the Gulf war, which led to a flight of both capital and expatriate bankers from the island.

OBU assets fell to their lowest level, $48.986bn, in May 1991. The BMA bulletin showed there were 47 offshore banks operating on the island, down from 56 before the Iraqi invasion of Kuwait in August 1990.

Vasp axes jobs as losses reach close to $60m

By Victoria Griffith in Sao Paulo

VASP, the Brazilian airline, is cutting its workforce by 5.5 per cent in the face of a nation-wide recession which threw the company into losses of up to $60m for 1991.

Although Vasp won some market share from domestic competitors last year its ticket sales fell by 8 per cent as the recession in the Brazilian airline industry began to bite. Some 560 employees will be laid off out of a workforce of 11,000.

Mr Wagner Canhedo, the president and leading shareholder, launched an aggressive expansion campaign for the airline after the group's privatisation in 1990. The company expanded into the international market and has routes to the west coast of the US, Argentina and Aruba.

Mr Carlos Brighi, a company spokesman, said the Vasp's troubles would not alter its plans. He said it intended to invest about $2.5bn in the future and hoped to win routes to Miami, Brussels and Seoul.

Century buys life operations from UNUM

By Nikki Tait in New York

UNUM, the de-mutualised disability insurer based in Maine, announced it had sold its UK life insurance, pension and mortgage operations to Century Life of London.

UNUM did not disclose a sale price, but the NEL business – together with 18 per cent of NEL Permanent Health Insurance – was acquired by the US company for £38.9m in July 1990 from Invesco MIM.

UNUM subsequently bought out the remaining 82 per cent of NEL Permanent Health Insurance for about $52m.

In September 1990, the US insurer made clear it planned to divest the life and pension operations, retaining the NEL PHI subsidiary. This was renamed UNUM Ltd, and remains part of the US company.

UNUM shares shed $1⅝ to close at $78 in New York.

Deficit forecast at Bell Atlantic

BELL ATLANTIC, the US telecoms group, expects to post a 1991 year-end loss. It blames the loss on a $1.55bn accounting change charge that will be retroactive to the first 1991 quarter, Reuter reports.

The company, which plans to restate results for the first three quarters of 1991, said the charge related to its adoption of Financial Accounting Standard Number 106, which affects its accounting of retiree health and life insurance benefits.

In 1990, Bell Atlantic earned $1.31bn, or $3.38 a share, on revenues of $12.30bn.

Excluding the charge, the company said its earnings from operations were on track to meet analysts' expectations.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. *Closing prices on January 7*

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99¼	99½	+¼	5.15
CREDIT FONCIER 5 1/4 94	20000	99¼	99⅝	+¼	5.53
DENMARK 7 95	40000	104⅞	105	+¼	5.28
EIB 4 5/8 94	40000	99	99¼	+¼	5.08
ELEC DE FRANCE 5 5/8 96	20000	100¼	100½	+¼	5.56
FINLAND 6 3/4 96	50000	103⅞	104¼	+¼	5.68
INTER AMER DEV 7 1/4 00	30000	110⅝	110⅞	+⅜	5.62
KANSAI ELEC PWR 4 5/8 94	60000	98⅝	98⅞	+¼	5.38
NIPPON TEL & TEL 5 7/8 96	50000	101⅝	102	+¼	5.47
NORWAY 5 1/8 95	50000	99⅛	99⅜	+¼	5.29
SNCF 6 3/4 00	30000	107½	107⅞	+⅜	5.58
SWEDEN 5 5/8 95	20000	100¼	100½	+¼	5.54
WORLD BANK 6 3/4 00	50000	108¼	108⅝	+⅝	5.49

OTHER STRAIGHTS / FLOATING RATE NOTES					
[illegible]					

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHUBB CAPITAL 6 98	110	2.38	126	127½	
DAI-ICHI KANGYO 3 7/8 04	250	86	107½	108⅝	+22.11
EASTMAN KODAK 6 3/8 01	300	3251.8	98⅝	99¼	+13.18
GOLD KALGOORLIE 7 1/2 00	300	50.67	105	106	+8.86
HANSON 9 1/2 06 £	65	1.0554	80¼	81¼	+40.17
HAWLEY 6 02 PREF	500	2.9875	97¼	98⅛	+25.52
HILLSDOWN 4 1/2 02 £	400	19.1	80⅝	83	
LAND SECS 6 3/4 02 £	150	3.97	115¼	116¼	
LASMO 7 3/4 05 £	84	6.72	81½	82⅝	+21.25
MITSUI BANK 2 5/8 03	90	5.64	74	75¼	+79.12
MOUNT ISA FIN 6 1/2 97	200	2397½	93⅞	95⅞	+14.89
OGDEN 6 02	100	2.283	92⅝	93⅝	+20.98
SMITH & NEPHEW 4 02 £	85	39.077	81⅝	82⅝	+55.59
SUMITOMO BANK 3 1/8 04	90	1.775	118⅝	119½	+52.28
TEXAS INSTRUMENTS 2 3/4 02	300	3606.9	74½	75⅝	+16.35
THORN EMI 5 3/4 04 £	300	82⅞	89⅞	90⅞	
	103	7.45	118⅛	119⅝	+16.34

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Warm reception for new issues in dollar sector

By Tracy Corrigan

PENT-UP demand for dollar securities, following the strong rally in the US bond market over the Christmas period, ensured a positive reception for $1.25bn worth of new issues in the dollar sector yesterday.

Although few swap opportunities are available, many borrowers are keen to lock in fixed-rate funds at historically low rates, and dealers are predicting a wave of dollar deals.

The Canadian province of Ontario launched a $1bn seven-year deal via Merrill Lynch, which was considered fairly priced, offering an initial yield spread of 56 basis points above the comparable US Treasury.

The success of the deal, boosted by strong Japanese demand, should help pave the way for further issues by Ontario, which is expected to have a hefty borrowing programme again this year.

Demand for fresh paper is exaggerated by the lack of current-coupon paper trading below par, even in the US Treasury market, after the recent rally. Bullish sentiment is skewing demand towards the longer end.

However, a $250m five-year deal for Toyota Motor Credit Corporation also met strong demand. The triple-A rated issue, priced to yield 43 basis points above the curve, attracted both institutional and retail buying.

Meanwhile, the World Bank's $1.5bn 10-year issue due to be launched today has already met strong buying interest, and is expected to be oversubscribed.

Demand in the Ecu bond market has been boosted by lack of supply and bullish sentiment on European markets generally. Uncertainty about the Ecu's future has abated since the Maastricht summit.

Dealers said interest is focused strongly on the longer end of the market. Short-dated paper, mainly swap-driven, is proving difficult to sell, as rates at the short end of the yield curve are not attractive compared with short-term deposit rates.

Investors are keen to buy longer-dated paper which would benefit more from any rally in the market.

The Council of Europe yesterday launched the first sizeable Ecu transaction since the run up to the Maastricht conference.

The Ecu500m issue, fungible with an outstanding Ecu500m deal with nine years to run, met strong demand, despite its premium issue price. The deal was bid at 103.05, above its reoffer price of 103.

A two-year deal for General Electric Capital Corporation met little demand, according to dealers, but the lead manager, IBJ International, said that Swiss retail investors are expected to buy the deal.

In the French market, Crédit Foncier launched a FFr500m eight-year deal with redemption linked to the CAC-40 French stock index. The structure of the deal ensures that the investor cannot lose any principal, but benefits each time the index exceeds a predetermined threshold.

Elsewhere, a DM200m five-year deal for Fiat Finance & Trade was considered fairly priced and met firm, mainly domestic, demand.

But some investors were deterred from buying a DM500m deal for Austria, despite the strength of the credit, because the bonds can be redeemed early at the option of the borrower.

In the Swiss market, the European Bank for Reconstruction and Development raised SFr50m through an issue of loan certificates via Swiss Volksbank. The paper will not be actively traded.

● The Bank of Greece plans to launch a $250m offering of five-year bonds which will be sold in Europe, the Far East, and also in the US under the provisions of the SEC's Rule 144A. The deal, Greece's first in the straight dollar bond market, is designed to diversify the investor base of a borrower which has in the past relied largely on bank financing.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Ontario(a)†	1bn	7	99.287	1999	1⅞/1.575	Merrill Lynch
Toyota Motor Credit Corp(a)†	250	6½	101.575	1997	1⅞/1¼	JP Morgan Secs.
STERLING						
Bayerische Hypotheken(a)†	125	10¼	100.475	1997	1⅞/1.675	Lehman Brothers
Bradford & Bingley(b)§†	100	(b)	100	1995	34/29bp	CSFB
ECUs						
Council of Europe(c)†	500	9	103	2001	0.325/0.2	Goldman Sachs
Bco.d'Roma (London)(d)‡†	100	(d)	100	1997	20/15bp	Merrill Lynch
Gen.Elec.Capital Corp(a)†	150	9	100.80	1994	1¼/1.025	IBJ Int.
FRENCH FRANCS						
Credit Foncier d'France(e)†	500	zero	100	2000	200/150bp	Banque Paribas
D-MARKS						
Republic of Austria(f)††	500	8	100½	2002	2½/1¼	Commerzbank
Fiat Finance & Trade(a)†	200	8¾	101.70	1997	2/1¼	Deutsche Bank
Showa Aluminium Corp(a)‡	150	5⅛	100	1996	2¼/1½	Nomura Bk GmbH
SWISS FRANCS						
Skandia Capital(a)†	100	7	101¼	1997	-	UBS
GUILDERS						
Nationale Nederlanden(a)†	200	8¾	101	1997	1/⅝	NMB Postbank

**Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 250p over 3-month Libor. Non-callable. c) Fungible with existing Ecu500m deal. Non-callable. d) Coupon pays 25bp over 6-month Libor. Non-callable. e) Redemption linked to CAC-40 Index. Minimum redemption = par. f) Callable at par 1994, 1995 and 1996. 5m warrants issued at 5.25 marks, allows the purchase of 5,000 marks of bond at 100¼%.

Strong tap issue demand lifts long-dated gilts

By Sara Webb in London and Patrick Harverson in New York

LONG-DATED UK government bonds gained more than half a point, helped by strong demand for the latest 15-year tap issue.

The Bank of England has sold a total of between £700m and £750m of its £1bn tap issue, the 8½ per cent gilt due 2007, according to traders. About half of the tap issue was sold yesterday.

Traders said demand for long-dated issues was strong. The benchmark 11¾ per cent gilt due 2003/07 rose to 115$\frac{25}{32}$ yielding 9.42 per cent, after opening at 115$\frac{1}{32}$. Short-dated gilts remained firm in spite of sterling's decline against the D-Mark yesterday.

■ US Treasury prices firmed across the board yesterday as demand in the underlying cash market picked up in the wake of a rally in the futures market.

In late trading the benchmark 30-year government bond was up $\frac{1}{32}$ at 107$\frac{1}{32}$, yielding 7.391 per cent.

The two-year note was also higher, up $\frac{1}{32}$ at 100⅝, yielding 4.648 per cent.

There was particularly heavy buying from retail investors, said dealers, and securities at both the short and long end of the market were well bid, supported by hopes that the Federal Reserve might ease monetary policy one more time.

GOVERNMENT BONDS

If the Fed does cut interest rates again, it could well come after Friday's jobs figure. The market is expecting non-farm payrolls last month to have fallen by between 50,000 and 100,000. If payrolls prove to have declined by substantially more than that, an easing of policy could be triggered, say some analysts.

■ THE strong yen and lower interest rates helped Japanese government bond prices to reach new highs in moderate trading yesterday.

The yield on the benchmark No 129 opened at 5.31 per cent and closed at 5.28 per cent in Tokyo. Prices gained further in the London trading session, with the benchmark yielding 5.275 per cent.

Short-term money market rates fell again on yesterday, with the three-month certificates of deposit rate slipping to 5.27 per cent from 5.4 per cent on Monday. The Bank of Japan lowered the official discount rate from 5 to 4.5 per cent at late last month, and money market rates have slipped on subsequent trading days.

■ GERMAN government bonds closed little changed on the day as investors took profits, wiping out early gains.

The Liffe bund futures contract reached a high of 88.02, breaking through the 88.01 technical resistance level, but then fell back to close at 87.85. Traders said a combination of industrial production figures and worries about inflation prompted some profit-taking.

The November industrial production figures for western Germany released yesterday were stronger than expected. Industrial output rose a seasonally and price-adjusted 1.2 per cent in November from October and was up 2.4 per cent on a year ago. Traders said the figures prompted some nervousness that the German economy might not be slowing down as much as previously expected.

Elsewhere in Europe, the Dutch bond market witnessed another strong session helped by strong demand from foreigners. The 8¾ per cent Dutch bond due January 2007 closed at 103.15, compared with Monday's close of 102.68.

Prices closed below the highs of the day, however, as some investors started switching out of the Dutch market ahead of Friday's Consumer Price Index announcement and on rumours that the Dutch agency may announce a further issue.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	117.2915	+0.563	9.26	9.39	9.51
BELGIUM		9.000	06/01	101.5500	+0.200	8.74	8.89	9.10
CANADA *		8.500	04/02	104.1500	+0.250	7.90	8.20	8.50
DENMARK		9.000	11/00	102.3250	-	8.61	8.69	8.99
FRANCE	BTAN	8.500	11/96	98.4618	-	8.88	9.02	9.16
	OAT	9.500	01/01	105.9000	-0.030	8.53	8.60	8.92
GERMANY		8.25	09/01	101.5200	-	8.01	8.01	8.25
ITALY		12.000	05/01	97.5900	+0.180	12.44	12.50	12.62
JAPAN	No 119	4.800	06/99	98.0959	+0.359	5.54	5.64	5.95
	No 129	6.400	03/00	106.4716	+0.454	5.27	5.39	5.61
NETHERLANDS		8.500	03/01	100.3700	+0.280	8.44	8.59	8.77
SPAIN		11.900	07/98	100.6300	+0.320	11.65	11.75	11.91
UK GILTS		10.000	11/96	100-28	+3/32	9.76	9.99	9.81
		10.000	02/01	102-26	+9/32	9.53	9.77	9.73
		9.000	10/08	97-24	+14/32	9.26	9.50	9.51
US TREASURY *		7.500	11/01	105-09	+15/32	6.75	6.74	7.19
		8.000	11/21	107-06	+20/32	7.39	7.46	7.77

London closing. *New York closing. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Baring Securities buys seat on Paris bourse

By William Dawkins in Paris

BARING Securities, the UK securities firm, has paid an undisclosed sum for the Paris stock exchange seat of DG Bourse, a subsidiary of the German bank, DG Bank.

The British firm has taken over DG Bourse's shares in the Société des Bourses Françaises, the market executive. From January 1, having such shares has been the main requirement for being allowed to trade on the French stock market.

Previously, new entrants had to buy an existing seat and the stockbroking firm that went with it. Baring Securities is the first firm to take advantage of the latest stage in French stock exchange reform. It has not bought the firm DG Bourse, which will continue to run its fund management business.

Since its arrival in Paris in July 1990, the Baring Securities office has specialised in advice on Japanese and other Asian shares, passing orders to its fellow subsidiaries in Hong Kong and Tokyo.

Mr André Marini, director general of Baring Securities, Paris expects to increase staff from 15 to about 20 in the next month or two and to begin trading in French equities in two to three months.

● The board of the London International Financial Futures Exchange met yesterday to discuss the future of equity options trading after the exchange's merger with the London Traded Options market next March, writes Tracy Corrigan.

Liffe appears to have succeeded in persuading more firms to act as market-makers in equity options, needed to boost liquidity in the languishing market.

After the meeting, a Liffe official said that "subject to confirmation from market-makers, there will be adequate market-making capacity to proceed with the provisional allocation of "D" shares".

ASE may trade options on index of biotech stocks

THE American Stock Exchange (ASE) has unveiled plans to trade options on its recently developed index of biotechnology stocks, writes Patrick Harverson.

The ASE has developed a niche offering investors opportunities to trade a range of index-based derivative products, and yesterday it asked the SEC for permission to trade options on its Biotechnology Index.

The index, made up of 15 established biotech companies, including Amgen, Immunex and Centocor, was created last year to allow investors to trade a basket of stocks in what was the best performing sector in the US equity markets of the past year.

Biotech stocks have proved popular among speculative investors because the companies operate in a rapidly developing industry where technological advances can lead to dramatic increases in share prices, market value and earnings.

GPA raises $100m in preference shares deal

By Richard Waters

GPA, the aircraft leasing company, has raised $100m through a private placement of convertible preference shares in the US in the latest round of capital-raising which has seen it secure more than $2bn in the past year.

The terms of the preference stock, convertible up to 2002 at $34 a share, anticipate a recovery in the group's value.

While GPA was able to place $185m of ordinary shares in July 1990 at $32.50 a share, the downturn in the airline business has seen shares in the unquoted group changing hands at $24 recently. GPA announced some months ago that it intended to seek a listing, but is still waiting for the right market conditions.

The convertible cumulative preference shares, which pay a 7 per cent dividend, have been placed with the Public School Employees' Retirement System of Pennsylvania. On a fully diluted basis, the stake would give the holder a 2.5 per cent share of the group if converted.

Javelin agrees sale to Greenwell

JAVELIN, one of the handful of specialist soft commission brokers, has this week reached agreement on its sale to Greenwell Montagu Stockbrokers, part of the Midland Bank group, writes Richard Waters.

The broker, formed about two years ago, had previously been 52 per cent owned by Pinestreet, an investment division of American International Group, the US insurer.

However, the decision by AIG to wind down Pinestreet left the broker in need of a new parent to inject extra capital, Javelin said.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday January 7 1992

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jan 6 Index No.	Fri Jan 3 Index No.	Thu Jan 2 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	750.08	+0.3	9.07	6.41	14.10	0.00	747.91	744.84	740.66	700.97
2	Building Materials (23)	891.73	-1.2	7.80	6.98	17.35	0.00	902.82	893.01	881.49	958.54
3	Contracting, Construction (29)	847.67	-0.8	9.47	8.75	15.20	0.00	854.82	865.85	862.03	1087.38
4	Electricals (7)	2379.93	+0.9	10.42	6.30	12.06	0.00	2358.05	2329.29	2296.79	1879.05
5	Electronics (26)	1686.55	+0.3	10.94	5.10	11.58	0.00	1682.85	1688.40	1699.48	1508.84
6	Engineering-Aerospace (8)	322.13	-0.1	16.77	8.07	7.26	0.00	322.36	325.50	325.47	394.96
7	Engineering-General (43)	463.29	+0.4	10.30	3.41	11.97	0.00	461.33	458.15	455.80	359.75
8	Metals and Metal Forming (10)	306.88	......	2.28	11.33	-	0.00	306.94	310.14	307.38	395.35
9	Motors (13)	294.65	......	8.74	8.09	15.19	0.00	294.71	290.40	289.12	280.63
10	Other Industrial Materials (19)	1542.52	+1.5	7.76	5.31	15.33	0.00	1519.67	1507.98	1495.50	1197.55
21	CONSUMER GROUP (188)	1598.84	-0.2	7.39	3.46	16.66	0.00	1602.11	1603.04	1598.62	1209.09
22	Brewers and Distillers (23)	2035.66	+0.4	8.17	3.48	14.83	0.00	2029.13	2002.97	1949.50	1577.83
25	Food Manufacturing (18)	1229.93	-1.0	8.94	4.13	13.76	0.00	1242.47	1242.07	1235.31	1029.53
26	Food Retailing (17)	2364.57	......	9.79	3.51	13.26	0.00	2364.75	2357.25	2419.31	2277.00
27	Health and Household (24)	4413.62	+0.4	5.15	2.21	22.27	0.00	4395.92	4435.28	4411.95	2468.36
29	Hotels and Leisure (24)	1230.61	+0.6	8.47	5.51	14.63	0.00	1223.86	1219.58	1210.11	1173.37
30	Media (23)	1419.98	-1.4	6.85	3.78	18.30	0.00	1439.53	1431.03	1404.24	1207.51
31	Packaging, Paper & Printing (17)	726.58	-0.2	7.41	4.57	16.35	0.00	727.84	723.87	714.55	512.77
34	Stores (32)	948.70	-1.4	7.77	3.92	17.03	0.00	962.27	973.66	968.67	781.95
35	Textiles (10)	590.43	-0.8	7.85	5.26	16.26	0.00	595.23	597.44	595.03	406.29
40	OTHER GROUPS (115)	1192.38	-0.4	10.17	5.58	12.40	0.00	1196.67	1197.46	1191.03	982.87
41	Business Services (16)	1387.71	+0.6	7.23	4.73	17.57	0.00	1379.61	1385.52	1385.89	990.75
42	Chemicals (21)	1403.36	-0.7	7.21	5.23	17.15	0.00	1413.43	1410.58	1406.13	1027.40
43	Conglomerates (11)	1304.23	+0.2	11.56	7.95	10.50	0.00	1301.11	1306.83	1281.70	1221.65
44	Transport (14)	2361.11	-0.1	5.43	4.79	24.23	0.00	2364.30	2349.02	2336.86	1859.67
45	Electricity (16)	1177.75	-1.1	15.40	6.31	8.45	0.00	1190.77	1206.07	1199.76	996.33
46	Telephone Networks (4)	1398.85	-0.6	11.22	4.48	11.64	0.00	1407.65	1414.16	1399.96	1119.30
47	Water (10)	2184.27	+0.1	19.55	7.28	5.64	0.00	2181.17	2165.84	2186.49	2184.90
48	Miscellaneous (23)	1791.18	......	5.55	5.46	24.78	0.00	1792.19	1770.94	1779.89	1535.58
49	INDUSTRIAL GROUP (481)	1255.43	-0.2	8.56	4.63	14.63	0.00	1257.53	1257.28	1248.59	1015.04
51	Oil & Gas (19)	2115.76	-1.3	12.09	6.63	10.94	0.00	2142.66	2195.96	2226.66	2251.90
59	500 SHARE INDEX (500)	1332.84	-0.3	8.94	4.85	14.10	0.00	1336.71	1340.21	1334.49	1116.84
61	FINANCIAL GROUP (87)	712.96	-1.2	-	6.53	-	0.00	721.73	726.29	722.62	689.20
62	Banks (9)	832.40	-1.8	4.74	6.38	41.73	0.00	847.34	864.41	856.07	728.82
65	Insurance (Life) (6)	1476.04	-0.3	-	5.79	-	0.00	1480.76	1490.13	1492.66	1243.13
66	Insurance (Composite) (7)	524.92	-1.6	-	8.31	-	0.00	533.49	524.46	521.36	594.46
67	Insurance (Brokers) (10)	967.39	......	8.33	6.91	15.81	0.00	967.39	969.04	966.34	986.73
68	Merchant Banks (7)	451.12	-0.5	-	4.75	-	0.00	453.41	446.59	442.82	347.46
69	Property (34)	776.60	-0.9	7.07	5.94	20.16	0.00	783.84	784.69	786.38	933.58
70	Other Financial (14)	234.38	-0.2	11.37	7.62	11.09	0.00	234.75	233.38	231.83	248.14
71	Investment Trusts (68)	1165.67	-0.8	-	3.73	-	0.00	1174.85	1170.55	1168.27	973.69
99	ALL-SHARE INDEX (656)	1185.20	-0.4	-	5.02	-	0.00	1190.12	1193.57	1188.44	1011.39

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 6	Jan 3	Jan 2	Dec 31	Dec 30	Year ago
FT-SE 100 SHARE INDEX♦	2482.9	-10.3	2483.5	2465.3	2493.2	2504.1	2492.8	2493.1	2420.0	2099.9

FIXED INTEREST

	PRICE INDICES	Tue Jan 7	Day's change %	Mon Jan 6	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	121.72	+0.10	121.60	2.04	0.00
2	5-15 years (27)	136.57	+0.31	136.15	2.69	0.00
3	Over 15 years (9)	145.76	+0.40	145.17	1.74	0.00
4	Irredeemables (6)	160.02	+0.03	159.97	1.52	0.00
5	All stocks (68)	134.19	+0.25	133.85	2.39	0.00
	Index-Linked					
6	Up to 5 years (2)	167.77	+0.29	167.28	0.99	0.00
7	Over 5 years (9)	148.37	+0.57	147.53	0.82	0.00
8	All stocks (11)	149.92	+0.53	149.13	0.84	0.00
9	Debs & Loans (62)	116.07	+0.35	115.66	2.39	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 7	Mon Jan 6	Year ago (approx.)
	British Government				
1	Low	5 years	8.86	8.87	9.99
2	Coupons	15 years	9.29	9.32	10.04
3	(0%-7¾%)	20 years	9.29	9.32	10.08
4	Medium	5 years	9.72	9.76	10.84
5	Coupons	15 years	9.36	9.41	10.43
6	(8%-10¾%)	20 years	9.32	9.36	10.26
7	High	5 years	9.93	9.98	10.96
8	Coupons	15 years	9.42	9.47	10.62
9	(11%-)	20 years	9.35	9.40	10.45
10	Irredeemables	†	9.53	9.53	10.27
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.03	4.10	3.99
12	Inflation rate 5%	Over 5 yrs.	4.35	4.39	4.16
13	Inflation rate 10%	Up to 5 yrs.	3.40	3.47	2.70
14	Inflation rate 10%	Over 5 yrs.	4.17	4.21	3.99
15	Debs &	5 years	11.08	11.11	12.63
16	Loans	15 years	10.90	10.94	12.37
17		25 years	10.73	10.78	12.13

♦Opening index 2477.1; 9 am 2482.3; 10 am 2467.6; 11 am 2468.4; Noon 2470.1; 1 pm 2470.0; 2 pm 2478.4; 2.30 pm 2477.1; 3 pm 2473.4; 4.10 pm 2482.9; (a) 4.20pm (b) 10.19am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, One Bones, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	0	15
Other Fixed Interest	13	2	4
Commercial, Industrial	242	317	932
Financial & Property	57	215	515
Oil & Gas	16	34	41
Plantations	0	1	9
Mines	20	39	93
Others	39	66	44
Totals	454	674	1,653

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt'nt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	104	102	Aberforth Sm. Co's. £ Sio.	103	-1	-	-	-	-
-	F.P.	-	56	49	BTR Warrants 1995/96	54	+4	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17½	Nil	-	1½pm	½pm	Do. Warrants	½pm	-¼
125	Nil	-	¾pm	¼pm	Tottenham Hotspur	¼pm	
148	Nil	-	19pm	16pm	Unichem 10p	17pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. ĝ Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ¢ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ¥ Unit comprising of 5 Ords and 1 Warrant.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

● First Dealings Jan. 6
● Last Dealings Jan. 17
● Last Declarations Apr. 2
● *For settlement* Apr. 13

3-month call rate indications are shown on this page.

Calls in ASDA, Berisford Intl., Greycoat, Kunick, Walter Lawrence, Lonrho, Y.J. Lovell, Medeva, Platignum, Premier Cons., *Racal Elects.*, Ratners and Tiphook. Puts in Abbeycrest and Ratners. Put and call in Albert Fisher.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	Ladbroke	19	Sears	8½	■ OILS	
Allied-Lyons	50	Comm Union	34	Legal & Gen	30	SmKl Bchm A	70	Aviva Pet	1½
Amstrad	4	Courtaulds	40	Lex Service	16	TI	41	BP	30
Astec (BSR)	5	Eurotunnel	40	Lloyds Bank	24	TSB	8	Burmah Castrol	38
BAT Inds	48	FKI	5	Lonhro	18	Tesco	15½	Conroy Pet	4
BOC	49	FNFC	5	Lucas Inds	11	Thorn EMI	59½	Gaelic Res	½
BTR	33	Forte	20	Marks Spencer	22	T & N	10½	Premier Cons	4
Barclays	24	GKN	24	Midland Bank	17	Unilever	78	Shell	41
Blue Circle	18	Gen Accident	37	NatWest Bank	21	Vickers	13½	Tuskar Res	1½
Boots	33	GEC	15	P & O Dfd	35	Wellcome	80	■ MINES	
Bowater	54	Glaxo	64	Racal Elect	4½	■ PROPERTY		RTZ	38
Brit Aerospace	18	Grand Met	70	RHM	20	Brit Land	20½		
British Steel	5	GRE	11	Rank Org	47	Land Sec.	38		
Brit Telecom	25	Hanson	15	Ratners	6	MEPC	33		
Cadburys	34	ICI	88	Reed Intl	42	Mountleigh	3		

UK COMPANY NEWS

Boots' sales fall 'someway short' of target

By John Thornhill

BOOTS, the chemists chain and retailing group, yesterday reported that sales in the final quarter of 1991 had fallen "someway short" of target.

The news prompted a 3½p fall in its share price to 421p and a shaving of analysts' profits forecasts.

Marks and Spencer, the food and clothing retailer, also confirmed the impression that *Christmas had been slow for* retailers.

Although it did not issue a formal trading statement, the company said it had achieved single-figure sales increases in a "difficult" December.

Ladieswear and foods performed well although menswear continued to be slack apart from gift products, such as socks and pants.

However, M and S said food sales had held up well in the face of Sunday opening by the big supermarket groups. "There was no measurable effect from our opposition *being open on Sundays.* We beat our estimates," it said.

Sir James Blyth, chief executive of Boots, described the company's performance as a good result "taking into account the tough economic climate and the very heavy discounting in the retail market place".

Sales from comparable space at the Boots the Chemists chain rose by 4.5 per cent during the period. Personal care products and food were said to have sold well although demand for electrical household goods and cosmetics was weak.

In the retail division, Childrens World registered the strongest sales gains with a 13.6 per cent increase in like-for-like sales while Boots Opticians showed a 6.6 per cent improvement.

Although continuing depression in the car market made trade difficult for Halfords, the car parts chain reported a "very substantial" increase in sales of car alarms.

"People may not be buying cars at the moment but they want to hang on to what they've got," the company said. Overall sales showed a 6.1 per cent increase.

Boots' interests in the DIY market, which include Do-it-all – jointly owned with WH Smith – and Fads, suffered in a highly competitive market. Sales at AG Stanley, which takes in Fads, fell by 4.1 per cent while Do-it-all was 13 per cent down.

Do-it-all lost sales by not participating in a price war being waged before Christmas between Texas Homecare and B&Q. But Do-it-all has since started discounting, producing a noticeable uplift in sales.

Analysts are now estimating annual profits from Boots to come in at about the £365m mark.

SG Warburg supported BT price with 22.5m share buy

By Bronwen Maddox

SG WARBURG Securities, the global co-ordinator for the flotation in December of the second tranche of British Telecommunications yesterday said that it had bought 22.5m shares from the Treasury as part of measures designed to help stabilise the share price.

The announcement could imply that Warburg has bought up to 96m shares in the stock market since the December 9 float, which could have made it a profit of about £1.5m.

The terms of the offer allowed Warburg to over-allot up to 7.5 per cent of the tranche, up to 118m shares, and to cover that position by buying in the market or from the Treasury if the price fell below the flotation price of 125p.

The measure was intended to help support the share price if necessary.

Given the strong demand at the float – institutions applied for nearly double the allocated shares – it has been assumed that Warburg over-allotted the full 7.5 per cent.

Yesterday's statement would then imply that it had bought up to 96m shares in the market.

The new partly-paid shares slumped after the float to a low of 120¼p on December 23, but have since recovered to 125½p.

To make a profit from buying shares in the market, Warburg would have had to buy at below about 122¼p, given its commission costs.

If it had exercised the full over-allotment facility and had bought 96m shares in the market at about the lowest price, it could have made £1.5m to £2m profit.

However, Warburg paid the Treasury 125p less commission costs for the 22.5m shares and so would not have made a significant profit on those.

Including that purchase by Warburg, the total number of shares sold by the Treasury is now nearly 1.6bn.

The government still owns 22 per cent of British Telecom.

Ratners faces downgrading by US credit rating agencies

By John Thornhill and Karen Zagor

RATNERS, the ailing jewellery group, was dealt a further blow yesterday as both Moody's and Standard & Poor's, the US credit rating agencies, announced they were to review its debt for possible downgrading in anticipation of poor trading results on both sides of the Atlantic.

S&P will meet the company's management in the coming days to review the group's current trading results, plans and projections. But it placed the BBB rating on Ratners' variable-term preferred American depository shares on credit-watch with negative implications. Moody's also placed the BAA2 preferred *stock rating of* Ratners under review for possible downgrade.

In London, the move caused little surprise and was not thought likely to add significantly to the company's cost of borrowings given the low prevailing interest rates in the US.

Ratners shares marked time yesterday as the market awaited further trading information from the company later this week. They closed ½p down at 21p.

The company, which has been looking to strengthen the board *for many months*, is also believed to be close to appointing a non-executive chairman, although any announcement will not necessarily coincide with the company's trading statement due out on Friday.

Reports that Mr Gerald Ratner might be removed from the company altogether were played down by some analysts. "It is hard to imagine a Ratners without a Ratner there," said one.

● Chase Manhattan yesterday emerged as the custodial owner of 5.1 per cent of Ratners shares. This nominally makes it the second biggest shareholder behind Schroders Investment Management, which at the end of November controlled 9.9 per cent.

Nadir airline grounded

By David Barchard

NOBLE AIR, the airline owned by Mr Asil Nadir, the former chairman of Polly Peck International, has suspended all flights.

The Department of Trade and Industry said the airline had stopped flying after a strike by its pilots. A spokesman for Mr Nadir said that the airline had not ceased trading, but that there would be a break in its operations until mid-March when the tourism season got under way.

Noble Air, registered in Istanbul, was set up in 1988 to serve passengers travelling between western Europe and Turkey and northern Cyprus. Its ownership has never been entirely clear but yesterday Mr Nadir's spokesman said that it belonged to Mr Nadir and had been pledged as security with his creditors.

In November Mr Nadir was declared bankrupt with debts of some £80m. Many of them were owed to security houses from which he bought Polly Peck shares in the final weeks before the fruit and electronics group slid into administration.

Mr Ramadan Güney, the Turkish Cypriot cemetery-owner and distant relative of Mr Nadir, and who put up £1m surety for his bail in December 1990, has been named in the Turkish press as a possible buyer for the airline. Mr Nadir's spokesman was unable to confirm that Mr Güney had stepped in.

Rationalisation costs hit Aberdeen Trust

By James Buxton, Scottish Correspondent

ABERDEEN TRUST, the financial services group which secured a Stock Exchange listing last year, suffered a fall of more than 55 per cent in pre-tax profits in the year to September 30 1991 because of exceptional items related to rationalisation.

While operating profit was down by 6 per cent at £2.58m (£2.75m), exceptional items totalling £1.36m cut pre-tax profit to £1.23m (£2.75m).

During the year Aberdeen Trust disposed of the insurance broking, life and pensions and membership activities of the Country Gentlemen's Association, acquired in 1989. This entailed redundancy provisions and costs relating to vacant properties. There was also a net extraordinary loss of £76,000 (loss of £417,000) comprising net profits of £224,000 from the sale of the CGA, and £300,000 flotation costs.

Aberdeen's turnover fell from £13.7m to £10.8m, largely reflecting the change in its activities with the sale of CGA. During the year it acquired investment management responsibilities from Argosy Asset Management which added £125m to funds under management.

It also bought Saltire Insurance Investments, an investment trust specialising in insurance. This brought a 47 per cent stake in Cheval Asset Management which manages fixed interest funds for Lloyd's syndicates. After the year end it bought the remaining 53 per cent of Cheval, adding £300m to funds under management.

Aberdeen Trust now derives about 70 per cent of its turnover from fund management and the rest from providing accountancy services to CGA members. Mr Martin Gilbert, chief executive, said that the quality of the company's profits had improved with more from recurring management fees and less from dealing.

The company said that 1992 should be clear of exceptional costs, but warned that the outlook was uncertain because of political and economic worries.

A final dividend of 1.5p is proposed for an unchanged 2.5p total out of earnings per share of 3.06p (4.43p).

Mowlem may sue in order to obtain £12.25m award

By Andrew Bolger

JOHN MOWLEM, the construction group, said an arbitrator had awarded it £12.25m, plus costs, in the latest round of its dispute with Carlton Gate Development Company, a London development concern which went into receivership in November.

Mowlem claims that Eagle Star, one of Britain's biggest insurance companies, has a 50 per cent stake in CGDC and put the company into receivership to avoid its financial obligations.

Mr John Marshall, joint managing director of Mowlem, said his company would seek to obtain the sum awarded, plus costs, by suing Eagle Star and the banking consortium – led by Security Pacific Euro-Finance – which owns the rest of CGDC.

He also intended to pursue the behaviour of the insurance company and the banks with the Department of Trade and Industry and the Bank of England.

Eagle Star said it continued to dispute Mowlem's claims and would strongly defend any court action.

It considered the result of the arbitration was largely meaningless, because CGDC was in receivership at the time of the hearings and so its criticisms of Mowlem were not presented.

CGDC was set up to build luxury flats on the site of the old St Mary's Hospital near the Regent's Canal on the edge of Maida Vale.

AmBrit resumes bid talks with United Energy

By Michiyo Nakamoto

AMBRIT International, the oil and gas exploration company, has resumed talks with a possible white knight just two days before the hostile bid offer by Pittencrief, the Scottish oil production and communications group, is due to close.

AmBrit said it was in discussions about a recommended offer with United Energy, a USM-quoted oil and gas group with which talks have already been terminated once before.

Mr Alan Russett, chairman of AmBrit, said that although discussions had been terminated just before Christmas due to the tight schedule, United had approached the group again.

Although it was up to United to make any offer, AmBrit had to make an announcement yesterday as its shares rose 10 per *cent from 7p to 8p on the* day.

A recommended offer by United would be equivalent to at least 9p cash per AmBrit ordinary, against Pittencrief's revised offer of 6p cash for every AmBrit share or one new Pittencrief share for every 28 AmBrit shares.

"It is not a final offer and until it is a final offer there is only one offer on the table," said *Mr Michael Munro, Pittencrief* chairman.

The announcement comes as Pittencrief raised its holding in its target to 39.9 per cent with the acceptance by Martin Currie – AmBrit's largest institutional shareholder, with a 9 per cent stake – of Pittencrief's all share offer.

Whessoe calls for £8m to help finance US purchase

By Jane Fuller

WHESSOE is making a $21m (£11.2m) acquisition in the US and raising £8.1m in a rights issue to help pay for it.

The engineering and pipework group said it needed the 1-for-4 issue, priced at 185p, even though it had more than £10m in the bank last month.

Mr Chris Fleetwood, chief executive, said part of its cash was advance payments from customers and so not free. The group also needed the capacity to meet bonding requirements on large contracts.

Whessoe's recent expansion, including acquisitions in Italy and the US, could push up its *turnover to between £80m and* £90m this year, compared with £57.9m in the year to September. This would considerably increase working capital demands.

The purchase announced yesterday is of Varec, a California-based maker and distributor of tank gauges and vapour control products. It is being bought from Rosemount, part of Emerson Electric.

Mr Fleetwood said the deal continued the policy of reducing Whessoe's dependence on the UK power industry. Varec would become part of the instrumentation and control division, which last year contributed just over a quarter of group turnover. Piping systems accounted for more than half, with the rest in project engineering.

The group has so far proved resilient to the UK recession, pushing up pre-tax profits by 14 per cent to £7.4m last year. Mr Fleetwood said it was helped by the 60 per cent of sales that lay overseas, by long-term contracts and by its cash holdings.

The rights issue price of 185p compares with yesterday's close of 226p, down 8p after the announcement. The underwriters are Schroders and Hoare Govett are the brokers.

FT LAW REPORTS

Digest of Michaelmas Term cases

THE VERACRUZ I
(FT, November 19)

A contract of sale of a vessel stipulated its delivery in inspection condition on a specified date, but repairs were necessary and the seller was unable to deliver on the due date. In the ensuing arbitration the buyer was concerned that the purchase price paid in London would be the seller's only asset within the jurisdiction. He applied *ex parte* for a Mareva injunction restraining the seller from dealing with the price payable on delivery so that the order was not to come into effect until after delivery and payment. The seller applied to discharge the injunction on the ground, *inter alia*, that until delivery the buyer had no cause of action for defective condition. Allowing the appeal in part, the Court of Appeal stated it was firmly established by principle that the right to an interlocutory injunction was dependent on a pre-existing cause of action.

HALLS vs O'DELL
(FT, November 20)

In 1981 liquidators of a company first intimated that they might have a claim against its directors for misfeasance but they were only ready to proceed with the action in 1983. Originating summonses under section 333 of the Companies Act 1948 were taken out in 1985. At first instance the directors succeeded in their application for striking out for want of prosecution. Allowing the liquidators' appeal, the Court of Appeal stated that there were many cases where the plaintiff had a choice and might initiate proceedings by writ or originating summons. There were other cases where it might be fortuitous whether a particular claim was made by summons or originating summons. Further, the test for dismissal for want of prosecution was the same as for ordinary actions, namely whether there had been an "inordinate and inexcusable delay" so as to prejudice the fair trial of the defendant. No such causal link had been established in this case.

IN RE A COMPANY, EX PARTE N.D. PRITCHARD
(FT, November 22)

The petitioners in a winding-up were members of three Lloyd's syndicates who claimed the company owed them £59,911 on a treaty of reinsurance. The company claimed that presentation of the winding up petition was an abuse of process because the indebtedness was disputed in good faith on substantial grounds. The treaty provided that books should "be open to the inspection of an authorised representative of the reinsurers at any reasonable time during the continuance of this reinsurance or any liability hereunder". Similarly, the notice of loss clause provided that all papers in connection with a claim should be "at the disposal of the reinsurers on this insurance or parties designated by them for inspection". The syndicate managers, however, wrote saying that there were claims unpaid and that no inspection would be allowed until payment had been received while the company was not willing to pay until it had been given the opportunity to inspect. Granting an *ex parte* injunction to restrain the winding-up of the company, Hoffmann J stated that it would be unfair to allow the syndicates to enforce their claim by a winding-up petition when they *had flatly refused to* allow any inspection at all.

NEW HAMPSHIRE INSURANCE CO AND OTHERS v STRABAUG BAU AND OTHERS
(FT, November 26)

Three companies, two German and one Austrian, which formed a joint venture for the construction of an international airport in Iraq were collectively insured with the plaintiffs. The plaintiffs avoided the policy when subsidence occurred to the building and sought to issue writs on the defendants out of the jurisdiction. At first instance, they were prevented from so doing on the ground that, under section 3 of the Brussels Convention on Jurisdiction and Judgments, "matters relating to insurance" could only be brought in the courts where the defendants were domiciled. Dismissing the plaintiffs' appeal, the Court of Appeal stated that member states had already attempted to limit the definition of "matters relating to insurance" but had been unable to find a suitable demarcation line. For the court to draw a line would be to carry purposive construction far beyond any previous European court decision.

WELSH DEVELOPMENT AGENCY v EXPORT FINANCE CO LTD
(FT, November 27)

Exfinco authorised a company, Parrot, to sell goods on its behalf as agent to overseas buyers. The plaintiff, the WDA, guaranteed Parrot's obligations to Exfinco and Parrot's counter-indemnity to the WDA was secured by debenture. When Parrot ceased trading, the issue was whether the WDA's receivers or Exfinco were entitled to sums payable by overseas buyers of the goods that Parrot had exported. Allowing Exfinco's appeal against a decision that the WDA was entitled under its debenture to those sums, the Court of Appeal stated that on termination, by clause 9 of the operating procedures, all amounts owed by overseas buyers became immediately due for payment by Parrot to Exfinco, and any payment received from buyers into the collection accounts after Exfinco had been fully repaid would be refunded to Parrot. Clause 9 was plainly drawn on the basis that moneys were owed to Exfinco by the buyers, because Exfinco had acted throughout as Parrot's undisclosed principal.

IN RE THE ERAS EIL APPEALS
(FT, November 29)

A group of companies in the UK, Clarksons, had decided on a new way to write environmental impairment liability insurance (EIL). Risk-rating, underwriting and claims-handling were dealt with by participants in the pool, which was led by Scor, a French company. The pool was a disaster for all concerned and *litigation* ensued on both sides of the Atlantic. All the claims were derivative in the sense that they were not due to the initiative of the claimants but in response to allegations made against them by others. The defendants appealed against a first instance decision granting leave to serve the derivative claims out of the jurisdiction. Dismissing their appeal, the Court of Appeal stated that *in* the interests of justice the whole affair should be explored before the same tribunal. Clarksons were the organisers of the scheme and remained at the heart of it, however much of the day-to-day work was executed abroad. Only by bringing the principal players together could the responsibility for the disaster be ascertained and distributed between those concerned.

GALLIC LEASING LTD v COBURN (HM INSPECTOR OF TAXES)
(FT, December 3)

Gallic Leasing was a member of a group of companies and it was assessed to corporation tax for the period ending March 31 1982. On October 31 it appealed the assessment and applied to postpone payment on the ground that "profits will be covered by group relief". Thereafter its accountants sent a computation of the assessable income submitted "subject to group relief". The general commissioners upheld the inspector that the references to group relief in the notice of appeal, in the note on the accounts, and in the accountants' computation, did not constitute a valid claim to group relief. Mr Justice Vinelott *allowed Gallic Leasing's* appeal, holding that in order to make a valid claim to group relief all that was required was for the claimant company to make it clear that a claim was being made. Allowing Gallic's appeal against a Court of Appeal decision in the commissioners' favour, the House of Lords stated that allowance was permitted "on the making of a claim" under section 258(1) of the Income and Corporation Taxes Act 1970 but the provision said nothing about the procedure for making a claim.

OVERSEAS UNION INSURANCES LTD AND OTHERS v *INCORPORATED GENERAL INSURANCE*
(FT, December 4)

The seven plaintiff insurance companies instituted proceedings against a South African insurance company, for money allegedly due under reinsurance contracts. The contracts were identified by description and period and the affidavit identified the five contracts and exhibited the cover notes. They asserted an express or implied term of the contracts that premiums and claims should be paid in London, and that demands for payment had been made without satisfactory answers. At first instance, the writ outside the jurisdiction was set aside on the ground *inter alia* that the plaintiffs had failed to establish a good arguable claim. Allowing the plaintiffs' appeal against that decision, the Court of Appeal stated the plaintiffs had produced evidence that they were contracting parties and that monies were due which was sufficient. With regard to the alleged illegality issue set up by the defendant, it was not enough to conclude that there was a *prima facie* case of illegality; there would have to be grounds to conclude a strong probability that the offences had been committed.

Aviva Golden

UK COMPANY NEWS

Co-operating on a voyage into uncharted territory

Andrew Jack unravels the complexities of the transatlantic administration of Maxwell Communication Corporation

LAST WEEK'S legal rulings on the control of Maxwell Communication Corporation mark an unprecedented attempt at transatlantic co-operation in insolvency practice – but one that represents, at best, the end of the beginning.

The courts have approved an interim order which allows MCC to be run under both UK administration and US Chapter 11 proceedings. Three partners in Price Waterhouse have been given authority to take over from the directors and run the holding company while developing a strategy for its future, in co-operation with a US court-appointed examiner.

MCC's creditors have the chance to object to the arrangement in the US courts on January 15. Even if the order is extended, the administrators face uncharted territory with every subsequent step they take.

"We've done all this work and now we've reached the beginning," says Mr Colin Bird, one of the joint administrators, who can now start turning his attention to issues other than legal ones.

A draft agreement was hammered out at the start of last week and backed by the High Court in London. It was approved by Judge Tina Brozman in the US bankruptcy court in New York on Friday.

At its heart is the concept of "mutual recognition". Mr Mark Homan, Mr Colin Bird and Mr Jonathon Phillips of PW are allowed to operate as administrators to MCC much as they would under UK insolvency law, but they are also recognised by the US court.

At the same time, Mr Richard Gitlin, a partner with Hebb and Gitlin, a Connecticut law firm, is the examiner, appointed under US bankruptcy law. He acts as an officer of the US court, and is also recognised in the UK courts.

The administrators are recognised as the "corporate governance" of MCC, and are effectively empowered to run the company. They are generally allowed to make disposals and obtain loans up to a value of £7m without further approval.

They may also investigate the financial dealings of the subsidiaries and dismiss or reduce the powers given to executives within the group.

However, to make disposals or arrange loans worth more than £7m they must seek the approval of the examiner. For disposals or loans of above £25m they must go directly to the US court for approval.

Within the MCC group, Macmillan and Official Airline Guides, and 15 subsidiaries held by these two companies, are granted special status within the court order, where they are called the "M&O Group".

The order states that Mr David Shaffer, chairman of both companies, should continue in his role overseeing M&O, but should make no disposals or bankruptcy petitions without the approval of the administrators and the examiner. If the administrators in turn want to place parts of the M&O group into UK insolvency proceedings, they must give reasonable notice to the examiner, and place these companies into parallel Chapter 11 proceedings where relevant.

They must also seek the examiner's approval if they have other plans for the M&O companies such as requesting any of them to borrow funds or pledge any assets or reducing Mr Shaffer's powers.

Separately, the order states that the examiner or the administrators are also empowered to employ an investment banker if they see the need, and the examiner can delegate some investigations functions to PW where there is no conflict of interest.

Mr Bird says there will be frequent meetings with the examiner, and progress reports probably every week. "I don't mind these arrangements as long as it helps things to go smoothly," he says.

Mr Evan Flaschen, a partner in Hebb and Gitlin, admits that the examiner has been given considerable powers, while more normally the function is confined to investigating allegations made to the US courts. "It's a hard role to understand," he says.

He stresses that the examiner, while appointed by the court, cannot take on the court's powers. For example, the administrators can still appeal to the US court if they disagree with the examiner's decision. "The examiner is more a form of quasi-management," he says.

While MCC is a UK-registered company, he says that the US courts claim jurisdiction when there are directly-owned assets or substantial receivables in the country. Although there are often clashes between the US and other national courts over jurisdiction in bankruptcy cases, particularly with Canada, he says: "This is the first consensual approach I am aware of."

MCC's creditors meet in London tomorrow to determine their reaction.

If they accept, the administrators could sell businesses during the coming weeks. If they try to keep the group, or parts of it, together, they have three months under UK insolvency law to draft a plan for approval by creditors. Under US bankruptcy law they have 120 days to propose an "exit strategy" to the courts.

"The same commercial plan will result, but the mechanics will be different in the two jurisdictions," says Mr Bird. "I hope we can take it that if we get the right commercial plan we can find the mechanics to get it approved – although it won't be easy."

In the meantime, Chapter 11 requires regular formal meetings with creditors. While these are not required in the UK, Mr Bird says most successful administrations have regular informal creditors' meetings to win their approval, so the process will involve little extra work. "We will try to dovetail the two," he says.

Mr Flaschen adds: "What strikes me is that with all the legal differences this is a business solution. So far we have been able to persuade the two courts that it makes sense even though it is not normally done. There are so many issues to grapple with in the short term. But our focus now is January 15."

Sale of operating subsidiaries could take place soon

Price Waterhouse, administrators to Maxwell Communication Corporation, said yesterday that the sale of operating subsidiaries could take place soon following approval of its administration plan by a New York court last Friday, writes Richard Gourlay.

Mr Jonathan Phillips, a joint administrator, said it would be only a matter of weeks before the first subsidiary could be sold.

An early candidate for sale was Macdonald, the UK publisher with imprints that include Sphere and Futura.

At least three groups were interested in Macdonald, all led by former employees of the publisher. The three were Simon & Shuster, the Paramount publishing company, a company called Headline, led by Mr Tim Healey-Hutchinson, and Orion, formed by Mr Anthony Cheetham, formerly of Random Century, with Lord Weidenfeld.

Mr Phillips said the administrators had had 70 enquiries about sales of subsidiaries but that he could not say how many were serious.

The administration plan approved by judge Tina Brozman of the US bankruptcy court would lead to creditors holding a controlling majority of the equity in the reorganised company.

It would be formed around the core businesses of Macmillan, the school publishing company, and Official Airline Guides, MCC's main assets, Mr Phillips said.

Mr Peter Laister, who became chairman of MCC after Mr Kevin Maxwell resigned in order to avoid conflicts of interest, had gone "off salary", Mr Phillips said. He was, however, remaining to help look after the interests of pensioners who have been badly hit by the unauthorised transfer of cash from their pension funds to private Maxwell companies.

He said Price Waterhouse "had a handle" on where the main amounts of cash missing from MCC went. In particular, they were still trying to trace the shares of Berlitz, the languages and education company.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

	Provisional Price for Trading on 08.01.92	Final Prices for Trading on 11.12.91	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.31	17.06	17.06
0100	19.08	18.71	19.97
0130	19.08	21.60	22.83
0200	19.08	21.50	22.82
0230	17.31	18.71	19.95
0300	17.26	18.71	19.95
0330	17.18	18.71	19.95
0400	17.16	17.25	17.25
0430	17.12	17.25	17.25
0500	17.12	17.25	17.25
0530	17.12	17.04	17.04
0600	17.12	17.00	17.00
0630	17.12	17.00	17.00
0700	17.31	18.68	19.81
0730	19.29	20.55	21.95
0800	19.30	24.70	26.35
0830	26.35	25.30	27.03
0900	26.35	30.61	32.83
0930	19.69	30.83	32.64
1000	26.35	30.44	32.39
1030	26.35	29.97	31.88
1100	20.04	25.06	26.76
1130	23.66	29.13	31.01
1200	29.42	38.34	40.55
1230	29.42	37.95	40.11
1300	17.85	37.38	39.31
1330	17.58	23.89	25.31
1400	17.50	20.61	21.93
1430	17.45	20.58	21.89
1500	17.47	20.61	21.92
1530	17.55	21.24	22.74
1600	20.26	43.05	50.23
1630	32.42	183.77	218.88
1700	54.35	326.64	370.92
1730	56.62	337.05	375.79
1800	48.99	212.10	239.68
1830	26.92	73.29	82.44
1900	21.78	37.44	41.23
1930	21.45	27.89	29.89
2000	21.39	24.70	26.21
2030	20.35	24.12	25.49
2100	20.16	20.28	21.65
2130	19.45	20.22	21.50
2200	19.45	19.93	21.20
2230	17.36	18.96	20.22
2300	17.16	17.15	17.15
2330	17.12	16.91	16.91
2400	17.11	16.95	16.95

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

NEWS DIGEST

Property Security hits £3m

HIGHER RENTAL income and dealing profits enabled Property Security Investment Trust to more than double pre-tax profits in the six months to end-September – from £1.42m to £3m.

Net property and investment income rose from £7.62m to £8.84m, while there were dealing profits of £43,000 compared to losses of £887,000.

All interest in respect of investment properties continued to be charged to revenue. As from April 1 this year all interest in respect of dealing activities will be treated similarly, instead of being capitalised.

Sales of investments in property and securities, amounting to £889,000 (£1.43m), were taken as extraordinary credits. Including these, earnings came to 2.27p (2.08p) and the interim dividend is stepped up from a scrip-adjusted 1.25p to 1.5p.

M&W passes £2m mark over year

M&W, which operates convenience stores, cash and carry and distribution warehouses, saw its pre-tax profit rise from £1.99m to £2.15m in the year ended September 28 1991.

Turnover moved up from £60.6m to £66.1m. Operating profit showed little change at £1.7m, exceptional income fell to £35,000 (£207,000) but net interest received rose to £338,000 (£37,000).

Earnings were 9.21p (8.74p) and the final dividend is 1.25p for a total of 2.25p (1p).

Conrad Ritblat restructure

Conrad Ritblat, the property surveying partnership headed by Mr John Ritblat, has announced plans to incorporate into a limited partnership at the start of February.

The move is intended to give the company a more streamlined management structure and help it grow through acquisitions.

Mr David Pickard, chief executive, said there would be an internal market for the shares which would allow senior staff to take money out of the business when they retired. The shares would be distributed among the 33 partners.

● Chesterton, one of the UK's largest surveyors, has merged with De Groot Collis, a long-established London surveying firm.

Chesterton has issued De Groot Collis with 3.78m new ordinary shares, representing 10 per cent of its increased share capital.

Halma expands in US with $10m buy

Halma, the Buckinghamshire-based safety and environmental technology group, is expanding in the US through the acquisition of Perma Pure Products of New Jersey.

An initial cash payment of $6.05m (£3.32m), satisfied by a placing of new Halma shares, will be followed by further amounts totalling $4.2m by January 1996.

In the 12 months to September 30 1991, Perma Pure achieved pre-tax profits of $220,000 on turnover of $3.24m. Asset value at acquisition was about $1m.

Simon raises £6.3m from disposal

Simon Engineering, the environmental and industrial services group, is continuing its programme of concentrating on core activities with the disposal of Simon Container Machinery.

The business and certain assets of the operation, together with its US affiliate, have been sold for £6.3m cash to SHS Handling Systems, a company formed in January last year to acquire SCM's materials handling and conveying systems operation.

Petbow management in £13m buy-out

Management of the Petbow group, a manufacturer of diesel generator sets, has concluded a buy-out from FLS Industries, its Danish parent.

Financing for the deal – a total of £13m – has been led by 3i, the investment capital group. Barclays Development Capital, BZW Buy-Out Trust II and Bank of Scotland have also participated. The new group will be renamed Power Group International.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Trust	fin	1.5	Mar 4	1.5	2.5	2.5
M&W	fin	1.25	Feb 28	1	2.25	1
Property Secy	int	1.5	Apr. 2	1.25*	-	3.125*

Dividends shown pence per share net except where otherwise stated.
*Equivalent after allowing for scrip issue.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Sacks (Sidney C), Seapak, Goode Durrant, Hadleigh Inds, Seville, Vtaty (Hlgs), Williamson Tea.

Finals- Alexanders Hldgs, M & G Dual Trust.

FUTURE DATES

Interims-

Asda	Jan. 15
Aberforth Split Level	Jan. 14
Dalepak Foods	Jan. 13
Fletcher King	Jan. 13
Markheath	Jan. 16
Second Alliance Trust	Feb. 17

Finals-

Alliance Trust	Mar. 16
Allied Textile	Jan. 29
Dewhurst Electrical	Jan. 23
Eurotherm Intl	Jan. 14
Partridge Fine Arts	Jan. 28
St Andrew Trust	Jan. 17

COMMODITIES AND AGRICULTURE

Bush aide warns EC over objections to Gatt text

By David Blackwell in Oxford

US FARMERS will not easily be convinced that the so-called Dunkel text for the Uruguay Round of negotiations in the General Agreement on Tariffs and Trade is sufficient for reforms to go ahead, the Oxford farming conference was told yesterday.

If Europe persisted in its objections to the text – proposed by Mr Arthur Dunkel, Gatt director-general, as a way out of the present deadlock – the round could end in failure, said Mr Gary Blumenthal, special assistant to President George Bush for agricultural trade and food assistance. "If Europe says 'too far', I fear for the whole round."

Referring to Mr Dunkel's deadline of January 13 for country responses to his proposals, made on December 20, Mr Blumenthal said the US would "not let a time-frame drive the agreement." However, it would like an agreement this year.

In a strong attack on the European Community's Common Agricultural Policy, he suggested that "poverty through dominance" was a more fitting theme for the conference than "prosperity through excellence".

"Prosperity through excellence is thematically incomplete without substantial reform of government policies which reward the inefficient, pacify or misdirect the industrious and punish the ineligible," he said.

Pointing out that the EC was spending, directly and indirectly, $160bn a year on agriculture, he said that government-supported prosperity for European farmers had meant impoverishment for farmers elsewhere in the world.

He said it was inexplicable to Americans that Europeans tolerated such high taxes to support the CAP. EC consumers had to spend 21.6 per cent of their incomes on food, compared with 12 per cent in the US.

"EC wheat prices are 60 per cent higher than the world price, barley and beef prices are nearly double and milk prices are nearly triple the world price," he said.

Not only did the EC block the admission of goods, it then used export subsidies to dump surpluses on the world market. This cost the US $8bn in 1989 and led to global losses of $27bn in agricultural trade, he said.

After Gatt reforms, EC farmers would capture their fair share of a free world market. The conference had been far too inward looking. "I strongly urge you to look at the world market, not just the home market."

However, if the Gatt talks failed, "I won't say I blame Europe but it is hard to accept that the blame lies on both sides of the Atlantic".

Mr Blumenthal rejected accusations that the US said one thing and did another, and that US subsidies were comparable to those in the EC.

He said US farmers had been enthusiastic about the Gatt talks in the early stages, but only a "quality" agreement under which they could be seen to benefit would rekindle their enthusiasm now.

Mr David Harvey, of the Department of Agricultural Economics and Food Marketing at Newcastle University, said that volatile prices for world agricultural commodities could be put down mainly to the fact that 90 per cent of world trade was not free. This destabilised both the world market and the EC budget.

He urged farmers to take on board the clear message that market forces were here to stay in the agricultural industry.

Metals producers prepare for a grim year

The Soviet collapse is likely to help keep prices depressed, writes Kenneth Gooding

METALS producers are bracing themselves for another punishing year in 1992. Recovery in the US is faltering at a time when economic activity in the two remaining generators of growth – Germany and Japan – is slowing.

"The outlook for the traded metals is looking gruesome," says Mr Stephen Briggs, analyst with the Metals & Minerals Research Services consultancy group.

"Very little industrial growth can be expected in 1992 and a second year of depressed prices does not bode well for metals producers", he adds.

"In 1991 they could to some extent live off the fat from the previous three years of high prices. Now that fat has gone."

Base metals producers have so far seen London Metal Exchange prices drop by at least 39 per cent (for copper) and as much as 63 per cent (for nickel) from the peaks reached in 1989-90.

Producers once believed they were in good shape to weather the expected recession. They had used windfall profits gathered in 1988-89 to repair damaged balance sheets.

Metal stocks in western markets were low, whereas in the two previous recessions there was a great deal of excess metal. That took years to absorb after the economic recoveries began.

In isolation, the present downturn would have been rough enough. The two industries that use huge quantities of non-ferrous metals – automotive and construction – had an awful 1991 and remain in deep recession.

Car sales in the ten largest national markets fell by nearly 7 per cent in the first nine months of 1991; the equivalent figure for commercial vehicles was nearly 8.5 per cent. Meanwhile, construction activity in the 24 Organisation for Economic Co-operation and Development countries dropped by 4.5 per cent year-on-year in the first half of last year and the downturn has since become more widely based.

Nevertheless, production and consumption of most of the traded metals would have been roughly in balance in 1991 if it had not been for the unexpectedly fast dissolution of the Soviet Union and its eastern bloc satellites, and the unforeseen impact that had on metals markets.

Eastern European imports of lead, tin and zinc dried up while the region's exports of aluminium, copper and nickel to the west grew at a frightening rate.

This swing in east-west trade was almost entirely responsible for depressing metals prices, particularly as so much of the eastern European material ended up by being highly visible in London Metal Exchange stocks.

Could or should the western producers have reacted more quickly by cutting output?

Mr Thomas Baack, chief economist at Metallgesellschaft, the German metals and industrial group, points out that it would have been extremely difficult for producers to have moved any faster because of the lack of statistics available from the eastern bloc countries. "Their foreign trade figures are incomplete and their production and consumption statistics in part unobtainable. This applies especially to the former Soviet Union," he says. For example, even though the Soviet Union was a member of the United Nations Study Group on lead and zinc, it never gave production figures.

There have been widespread complaints that the Soviets have been dumping metals in the west. These cannot be substantiated, suggests Mr Baack, because London Metal Exchange prices are binding for almost all transactions, whether west-west or east-west, with only minor variations.

"However, it is true that supplies from the Soviet Union are not based on domestic cost calculations but solely on the need to earn foreign currency," he adds.

So perhaps the most important issue for metals producers in 1992 is: what can be expected from the former Soviet Union?

Mr Briggs at MMRS points out that the accelerating political break-up of the region makes forecasting well nigh impossible.

"But most of the same factors which led to the massive exports of the past two years, namely domestic demand collapsing faster than production and the desperate need for foreign exchange, will remain in place.

"Neither is metals consumption in eastern Europe likely to pick up in the short term. East-west trade flows will therefore almost certainly remain a bearish influence [on metals prices] in 1992."

Mr Baack is more optimistic. He suggests that the new republics cannot allow their domestic economies to continue to fall further into disrepair. Moves already are afoot in Russia to limit the export of some raw materials so that its own processing industries have enough to maintain production.

In addition, the Soviet energy situation is ever more precarious and reductions in energy-intensive production processes, such as the extraction of raw materials, cannot be ruled out, says Mr Baack.

"This would probably lead to a cut in production of non-ferrous metals. It would also signify that the metal glut from the east had passed its peak."

East-west trade will not be the only factor affecting metals prices this year. Extremely low prices last year forced producers to make output cuts – all the traded metals but copper have been affected so far – and the full impact will be felt in 1992.

However, Mr Briggs of MMRS suggests that more production cuts will be needed in the coming months. "The onus will be on western producers to rein back their output in order to prevent stocks rising considerably further," he says.

Much also depends on the US economy. Economists remain generally confident that it should recover enough this year to stimulate demand for metals, particularly because consumer stocks are very low.

Mr Phillip Crowson, chief economist at the RTZ Corporation, the world's largest mining company, points out, however, that although the US government will do its best in an election year to kick-start the economy, the impact will not be felt until the second half of 1992. He says: "It is difficult to see any movement [in base metals prices] except downwards or sideways".

Mr Crowson adds the usual rider about the upheavals in the former Soviet Union, and also suggests "we should not forget China" – formerly a big importer of metals from the west.

"China might come back in a big way as a metals buyer," he says, recalling market rumours that the recent buoyancy in copper prices was based on Chinese purchases.

While China's growing industrialisation offers metals producers a glimmer of hope for 1992, Metallgesellschaft's Mr Baack offers another. He suggests: "In view of the unpredictability of developments in the former Soviet Union, even a complete halt to supplies from this region is a possibility. And a halt to Soviet metal exports could unleash a price explosion."

ANALYSTS' AVERAGE PRICE FORECASTS FOR 1992
(US cents a lb for base metals, US dollars a troy ounce for precious metals)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	Gold	Platinum	Silver
Billiton-Enthoven Metals	50-60	85-95	23-28	325-375	240-260	48-58	n/a	n/a	n/a
James Capel	58	105	28	380	n/a	55	400	400	4.35
Carr Kitcatt & Aitken	53	100	26	360	256	55	400	400	4.50
Economist Intelligence Unit	50	101	26.3	398	366	52.5	n/a	n/a	n/a
Merrill Lynch	60	105	28	420	325	53	380	380	4.10
Metallgesellschaft	68	104	29.5	390	281	63.5	n/a	n/a	n/a
Metal Bulletin Research	57	95	27.2	360	275	57	375	365	4
Metals & Minerals Research Services	65	100	27	370	270	55	375	390	4.50
Ord Minnett	68	105	30	405	290	55	380	400	4.45
Smith New Court	65	100	28	300	270	50	380	390	4
S.G. Warburg	55	100	25	325	270	50	375	385	4.05
1991 actual*	59.1	106.1	25.3	370	254	50.7	362	376	4.07

*Source for 1991 averages: S.G. Warburg

LME turnover up 25% in 1991

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange, the world's largest terminal market for physical metal, increased turnover by 25 per cent last year compared with 1990. Its financial strength enabled the exchange to return some contract levy money to members.

Mr Martin Abbott, the LME's director of marketing, said yesterday the results showed "growing metals industry confidence" in the LME and that its services were valued just as much in recessionary times as when prices were rising.

The strength of the increase in metals markets turnover, from 12.62m to 15.84m lots, showed there was an underlying real increase in physical business as well as that which came in recessionary times from traders rolling over stock in LME warehouses, he pointed out.

Mr Abbott said that booming LME business did not necessarily mean that its members were doing well.

Their commission incomes were based on the gross value of contracts, so they suffered when metals prices were low – as they have been for the past year.

The LME gave back to members 40 per cent of the money paid to the exchange in contract levies during the first nine months of 1991.

Mr Abbott said the LME's cash reserves were high enough to meet statutory requirements "and there is no particular reason that the market should declare a profit and pay taxes on it. It makes more sense to push the money back to the members so that they can pay the tax".

Of the six metals traded on the LME, only tin, the most recently-introduced contract, showed a fall in turnover last year. Turnover fell by 0.5 per cent from 361,196 lots (of five tonnes each) to 359,436 lots.

Zinc showed the biggest gain, up 39 per cent from 1.42m lots (of 25 tonnes each) to 1.98m, followed by aluminium, up 34 per cent from 3.99m lots (of 25 tonnes each) to 5.34m.

Turnover of the LME's "flagship" contract, copper, was up 20 per cent, from 5.67m lots (of 25 tonnes) to 6.8m.

Lead turnover improved by 15 per cent, from 610,351 lots (of 25 tonnes) to 703,944 while nickel was up by 25 per cent, from 572,970 lots (of six tonnes each) to 715,555.

● Trading volume on the Tokyo Commodity Exchange for Industry reached a record 14,949,199 lots last year, surpassing the previous high of 14,839,666 set in 1990, Reuter reports from Tokyo.

The cumulative volume of platinum futures in 1991 reached 5,403,596 lots, up 65.8 per cent from 1990, and silver futures rose 109.7 per cent to 1,057,598. Volume of gold futures, meanwhile, totalled 4,567,630 lots, down 33.5 per cent.

Trading of rubber futures totalled 2,167,293 lots, down 6.2 per cent, and wool futures reached 145,854, more than seven times higher than the previous year.

"The Tocom's precious metal complex showed wild volatility last year, in the face of market-moving news such as the Gulf War in January and the coup attempt in the former Soviet Union in August," an exchange official said.

"Platinum futures, in particular, attracted panic selling from local investors in May, following the report that Nissan had developed a platinum-free auto catalyst.

"These motivated local investors and trade houses to trade actively."

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+5,400	to 1,014,360
Copper	+2,700	to 335,025
Lead	+25	to 126,375
Nickel	+1,466	to 13,338
Zinc	+2,126	to 158,175
Tin	–16	to 13,665

Sugar estimate cut, but by less than expected

WORLD SUGAR output in the 1991-92 crop year is forecast to reach 113.1m tonnes, raw value, according to F.O. Licht, the influential German statistics agency, in its second production estimate, reports Reuter.

This compares with a previous forecast for 1991–92 of 114.06m tonnes made last October and a revised 1990-91 output estimate of 113.76m tonnes.

All the figures are based on national crop years.

The announcement pushed world sugar futures prices down in New York because the production forecast was higher than traders had expected.

"The estimate was down by almost 1m tonnes but we were looking for a downward revision of up to 2m tonnes," one analyst said. "The drop in the Cuban output numbers [that] we expected apparently didn't come through."

At the London Futures and Options Exchange, the May raw sugar position was down $2 at $186 a tonne in late afternoon trading.

Pakistan cotton crop up sharply

PAKISTAN'S cotton production totalled 8.2m bales (each of 375 lb) between the start of the 1991-92 season in September and January 1, up from 7m bales in the corresponding period of 1990, reports Reuter from Karachi.

The 1991-92 harvest, which will run till April, was likely to reach 11m bales, up from the 1990-91 record of 9.7m, said Mr Khwaja Mohammad Ilyas, acting chairman of the Pakistan Cotton Ginners' Association. He said the state-run Cotton Export Corporation of Pakistan had purchased 741,021 bales, up from last year's 22,600 bales.

MINOR METALS PRICES

Prices supplied by Metal Bulletin magazine (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,750 (1,640-1,680).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.55-1.65 (1.65-2.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 32.00-34.00 (29.50-30.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-135 (110-120).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.28-2.33 (2.20-2.30).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard minimum 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (7.40).

WORLD COMMODITIES PRICES

MARKET REPORT

MOST London Metal Exchange contracts reversed direction yesterday, with zinc, aluminium and tin regaining some of their recent losses and nickel surrendering some of its recent advance. Zinc had got off to a shaky start, after the announcement of another rise in LME warehouse stocks, but a subsequent rally was underpinned by trade buying. The cash position closed at $1,128 a tonne, up $11 on the day, after losing some of its rise in view of the continued erosion of supply tightness for February delivery. Nickel's setback, which took the cash position $45 lower to $7,290 a tonne, followed the announcement of a substantial stocks rise but dealers said the selling was a reaction against recent gains. They added that the likelihood of overhead resistance above $7,400 (for three months delivery metal) had inhibited an early advance, triggered by Canadian producer Falconbridge's recent statement that it was considering further output cuts. The copper market continued its recent downtrend, though more slowly, with cash metal ending $3.50 down at $1,130.50 a tonne. Dealers said the market was depressed by the three months position's failure to hold above $2,150 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.30-5.40q	-0.05
Brent Blend (dated)	$18.45-8.50	-0.10
Brent Blend (Feb)	$18.15-8.20	-0.05
W.T.I. (1 pm est)	$19.25-9.30q	-0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-203	+4
Gas Oil	$170-171	
Heavy Fuel Oil	$68-69	+4
Naphtha	$186-189	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$349.65	+1.15
Silver (per troy oz)♣	395.5c	+3.5
Platinum (per troy oz)	$332.10	+1.35
Palladium (per troy oz)	$79.25	+0.75
Copper (US Producer)	100.01	-0.31
Lead (US Producer)	37.375c	
Tin (Kuala Lumpur market)	14.50r	+0.23
Tin (New York)	256.00c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.25p	+2.28*
Sheep (live weight)†♠	98.74p	
Pigs (live weight)†	84.35p	-0.84*
London daily sugar (raw)	$221.0t	
London daily sugar (white)	$268.7t	+0.7
Tate and Lyle export price	£225.0	-0.5
Barley (English feed)	£124.0	-1.5
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	48.25p	-0.25
Rubber (Mar)♥	48.50p	-0.50
Rubber (KL RSS No 1 Feb)	215m	+1.0
Coconut oil (Philippines)§	$715y	
Palm Oil (Malaysian)§	$382.5u	+2.5
Copra (Philippines)§	$465.0t	+25.0
Soyabeans (US)	£141.0	+1.0
Cotton "A" index	60.95c	+0.15
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	184.00	187.00	185.20	183.20
May	184.00	186.00	184.00	182.60
Aug	185.00	185.00	189.00	182.00
Oct	183.00	186.00	184.00	
Dec	200.00		180.00	
White	**Close**	**Previous**	**High/Low**	
Mar	267.4	270.5	268.5	266.5
May	268.9	272.0	270.5	268.0
Aug	272.9	275.0	274.5	272.4
Oct	255.4	257.0	256.0	254.0
Dec	254.4	256.8	254.8	254.3
Mar	255.2	257.0	255.5	254.8

Turnover: Raw 350 (326) lots of 50 tonnes. White 1402 (720)
Paris- White (FFr per tonne): Mar 1407.92, May 1424.84

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Feb	17.96	18.12	18.35	17.86
Mar	17.56	17.95	18.18	17.55
Apr	17.50	17.90	18.02	17.50
May	17.45		17.90	17.45
Jun	17.47	17.75	17.95	17.45
Jul	17.41		17.80	17.40
Aug	17.56		17.56	
Sep	17.73	18.05	17.95	17.73
Oct	17.80		17.80	
IPE Index	18.07	18.36		

Turnover 30744 (20483)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jan	166.75	166.75	167.50	165.25
Feb	167.50	165.75	168.00	165.25
Mar	166.50	166.50	167.00	165.00
Apr	164.75	164.50	165.50	164.50
May	164.00	164.00	164.50	163.00
Jun	165.00	165.00	165.00	164.00
Jul	167.00	167.00	167.00	166.00
Aug	169.75	169.50	169.50	169.00
Sep	171.00	171.50	171.00	

Turnover 14499 (12236) lots of 100 tonnes

JUTE
January/February: C and I Dundee: BTC $415, BWC n/o, BTD $380, BWD n/o; C and f Antwerp: BTC $400, BWC $400, BTD $370, BWD $370.

COTTON
Liverpool- Spot and shipment sales for the week ending 3 January amounted to 240 tonnes against 160 tonnes in the previous week. Trading was quiet with interest being shown in South American and African varieties.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	709	721	721	706
May	736	747	747	734
Jul	765	773	773	759
Sep	788	796	797	785
Dec	823	832	832	819
Mar	853	861	859	850
May	870	878	878	865
Sep	904	911	910	908
Dec	931	936	932	

Turnover: 8181 (14007) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan.6 920.98 (922.79) 10 day average for Jan.7 954.47 (961.76)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	962	991	980	960
May	980	986	990	980
Jul	994	999	1000	994
Sep	1006	1015	1015	1012
Nov	1020		1030	1024
Jan	1040		1045	1042

Turnover:780 (707) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan.6: Comp. daily 61.62 (61.51) 15 day average 62.00 (62.08)
Sterling close: January [illegible], March [illegible]

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Mar	119.5		118.0	
Apr	118.8	119.0	119.2	118.8
May	136.0	119.2	136.0	

Turnover 23 (82) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	123.50	121.00	

Turnover 0 (8) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jan	1509	1528	1519	1508
Feb	[illegible]	1545	[illegible]	[illegible]
Mar	1546	1555	1544	1540
Apr	[illegible]	1570	1564	1555
BFI	1476	1479		

Turnover 216 (200)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	128.40	128.65	128.50	128.25
May	131.85	132.10	131.85	131.70
Jun	133.70		133.70	
Barley	**Close**	**Previous**	**High/Low**	
Jan	118.90		119.00	
Mar	122.00	122.56	122.00	
May	124.00		124.35	124.00

Turnover: Wheat 124 (104), Barley 35 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	107.2	108.0	107.0	
Feb	108.5	108.5	108.1	108.0
Mar	109.0	108.5	108.5	
Apr	108.0	108.5	108.5	
May	111.0	110.0	109.5	
Jun	111.0	110.0	109.5	

Turnover:36 (47)lots of 3,250 kg

[illegible] – London FOX

	Close	Prev.	High	Low	Vol
Indx	128.78	128.64			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 20,609 lots
Cash	1109-10	1105-6		1105-6		
3 months	1133-4	1129-30	1135/1130	1133-4	1132-2.5	121,547 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,136 lots
Cash	1130-1	1133.5-4.5	1131/1130	1130.5-1.0		
3 months	1158-9	1162.5-3.0	1163/1158	1160-0.5	1159-9.5	104,188 lots
Lead (£ per tonne)						Total daily turnover 2,462 lots
Cash	284.25-4.50	286.5-7.5	285.5/285	285.5-6.0		
3 months	295.50-6.0	298-9	299/295.5	296.75-7.25	296-6.5	15,389 lots
Nickel ($ per tonne)						Total daily turnover 3,498 lots
Cash	7285-95	7350-60		7310-15		
3 months	7350-60	7403-5	7390/7325	7370-80	7365-70	20,324 lots
Tin ($ per tonne)						Total daily turnover 702 lots
Cash	5520-30	5510-20	5515	5515-6		
3 months	5570-80	5565-75	5590/5560	5565-6	5560-5	4,857 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,646 lots
Cash	1127-9	1116-8	1123/1122	1122-2.5		
3 months	1098-9	1086-7	1099/1086	1093.5-4.0	1093-5	40,446 lots

LME Closing US rate:
SPOT: 1.8735 | 3 months: 1.8441 | 6 months: 1.8126 | 9 months: 1.7942

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	349.40-349.90	
Opening	349.40-349.90	
Morning fix	349.30	186.045
Afternoon fix	349.70	186.467
Day's high	350.10-350.40	
Day's low	349.00-349.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.58	6 months	3.37
2 months	3.49	12 months	3.31
3 months	3.44		

Silver fix	p/fine oz	US cts equiv
Spot	210.25	394.85
3 months	215.80	398.80
6 months	221.30	402.55
12 months	232.40	411.00

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	350.00-351.00	186.50-187.00
Maple leaf	361.00-362.00	192.50-193.00
New Sovereign	84.00-85.00	45.00-45.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1050	83	111	5	12
1150	20	48	41	46
1250	2	15	122	111
Copper (Grade A)	**Calls**		**Puts**	
2050	101	122	12	31
2150	38	65	48	73
2250	10	30	10	135
Coffee	**Mar**		**Mar**	
500	38		8	
550	11		29	
600	2		70	
Cocoa	**Mar**	**May**	**Mar**	**May**
700	29	61	20	23
725	16	47	34	34
750	11	35	52	47
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	15	71	18	
1850	16			
1900	4	33		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	349.5	349.3	0	0
Feb	350.5	350.3	351.0	349.7
Mar	351.5	351.3	0	0
Apr	352.7	352.5	353.0	352.0
Jun	354.8	354.6	355.1	354.5
Aug	356.8	356.6	356.9	356.8
Oct	358.7	358.5	358.5	358.5
Dec	360.8	360.6	0	0
Feb	362.9	362.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	333.1	333.5	333.1	332.5
Apr	333.8	334.0	335.0	332.0
Jul	335.5	335.5	336.0	335.5
Oct	340.8	340.8	342.5	340.0
Jan	342.0	342.0	343.5	341.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	391.7	394.1	391.5	391.0
Feb	392.6	395.3	0	0
Mar	394.2	396.7	397.5	393.5
May	397.8	400.1	400.5	397.0
Jul	400.7	403.2	403.0	400.0
Sep	403.8	406.3	406.5	404.0
Dec	408.5	411.1	411.5	408.5
Jan	410.2	412.8	0	0
Mar	413.6	416.2	0	0
May	417.3	420.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	94.45	95.30	95.30	94.40
Feb	94.85	95.70	95.15	94.85
Mar	95.15	96.05	96.10	95.10
Apr	95.30	96.10	0	0
May	95.45	96.30	96.20	95.50
Jun	95.60	96.40	0	0
Jul	95.75	96.55	96.35	95.70
Aug	95.80	96.60	0	0
Sep	95.80	96.60	96.30	96.00
Oct	95.80	96.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	18.68	19.21	19.42	18.67
Mar	18.64	19.20	19.39	18.63
Apr	18.70	19.21	19.36	18.65
May	18.72	19.21	19.33	18.72
Jun	18.74	19.21	19.32	18.73
Jul	18.76	19.21	19.30	18.76
Aug	18.78	19.21	19.25	18.85
Sep	18.80	19.21	19.28	18.90

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	5098	5187	5270	0
Mar	5193	5284	5345	5180
Apr	5158	5250	5300	5150
May	5080	5175	5230	5055
Jun	5035	5130	5190	5030
Jul	5047	5150	5210	5020
Aug	5127	5250	5275	5140
Sep	5252	5375	5400	5400
Oct	5347	5470	5520	5510
Nov	5442	5565	5610	5610

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1197	1227	1225	1194
May	1236	1266	1262	1233
Jul	1270	1300	1297	1270
Sep	1299	1328	1325	1299
Dec	1342	1368	1365	1342
Mar	1378	1404	1403	1394
May	1400	1426	1425	1411
Jul	1422	1448	0	0
Sep	1446	1472	0	0
Dec	1476	1502	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	79.75	78.50	79.80	78.15
May	82.25	81.20	82.30	80.90
Jul	84.90	83.80	84.85	83.50
Sep	87.55	86.65	87.50	86.40
Dec	91.05	89.90	90.90	90.40
Mar	94.20	93.00	93.25	93.25
May	97.75	95.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.36	8.49	8.45	8.36
May	8.32	8.45	8.38	8.32
Jul	8.33	8.41	8.37	8.32
Oct	8.25	8.31	8.27	8.21
Mar	8.36	8.33	8.30	8.24
May	8.27	8.34	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	60.43	60.10	60.90	60.02
May	62.09	61.55	62.30	61.50
Jul	63.15	62.65	63.40	62.75
Oct	64.50	64.06	64.50	64.30
Dec	64.71	64.27	64.80	64.40
Mar	66.10	65.65	66.00	66.00
May	66.45	66.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	151.30	153.90	153.20	151.10
Mar	151.60	154.35	153.50	151.00
May	152.30	155.70	154.40	152.00
Jul	152.60	155.80	154.75	152.60
Sep	152.50	156.30	154.00	152.50
Nov	142.95	147.00	146.50	144.00
Jan	142.95	145.30	0	0
Mar	142.95	145.30	0	0
May	142.95	145.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan.7	Jan.6	mnth ago	yr ago
1596.8	1594.3	1611.0	1708.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan.6	Jan.3	mnth ago	yr ago
Spot	112.55	110.06	116.81	124.75
Futures	120.84	120.21	121.43	126.04

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	556/6	558/0	558/2	553/4
Mar	558/0	559/0	559/4	554/4
May	564/0	565/2	565/2	560/6
Jul	572/4	572/4	573/4	569/0
Aug	575/4	575/2	576/6	573/0
Sep	576/0	576/0	578/4	575/0
Nov	581/2	579/0	581/4	577/4
Jan	590/0	588/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	18.59	18.55	18.60	18.55
Mar	18.87	18.79	19.09	18.80
May	19.15	19.06	19.39	19.12
Jul	19.45	19.38	19.70	19.42
Aug	19.61	19.58	19.74	19.57
Sep	19.72	19.66	19.95	19.70
Oct	19.80	19.77	20.10	19.80
Dec	20.12	20.05	20.40	20.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	172.4	173.2	173.3	171.3
Mar	171.8	171.9	172.3	170.5
May	171.9	172.2	172.3	170.8
Jul	173.3	173.2	173.7	172.5
Aug	174.1	174.0	174.5	173.7
Sep	175.0	174.8	175.5	174.8
Oct	189.0	188.5	189.5	188.2
Dec	190.5	189.2	190.5	189.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	250/0	249/6	250/2	249/0
May	256/2	256/2	256/4	255/2
Jul	261/2	260/6	261/4	260/2
Sep	260/0	259/0	260/2	259/0
Dec	258/4	257/4	258/4	257/0
Mar	265/0	264/2	265/0	264/4
May	269/0	268/2	269/0	267/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	396/2	398/4	400/0	395/0
May	376/2	377/2	378/4	375/4
Jul	342/6	341/4	345/0	342/6
Sep	345/6	345/0	348/0	345/4
Dec	354/0	352/2	356/0	353/4
Mar	357/0	354/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	73.75	72.27	73.77	72.40
Apr	74.32	73.25	74.40	73.25
Jun	69.37	68.60	69.45	68.55
Aug	67.25	66.45	67.30	66.40
Oct	67.65	66.90	67.65	66.95
Dec	68.50	67.95	68.60	67.92
Feb	68.25	0	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	39.82	39.50	39.97	39.10
Apr	38.72	38.40	38.75	37.80
Jun	43.92	43.77	44.00	43.42
Jul	44.32	44.37	44.35	43.80
Aug	42.55	42.85	42.65	42.35
Oct	40.10	40.45	40.35	40.00
Dec	42.65	43.05	42.95	42.85
Feb	43.95	44.40	43.97	43.95

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	35.25	35.75	35.80	34.65
Mar	35.85	36.15	36.00	35.20
May	36.60	37.42	37.37	36.25
Jul	36.85	37.82	37.80	36.55
Aug	35.75	38.90	37.10	35.60

LONDON STOCK EXCHANGE

Downgrades slice into share prices

By Terry Byland, UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Dec 30	Jan 13	Jan 27
Option Declarations:		
Jan 9	Jan 23	Feb 6
Last Dealings:		
Jan 10	Jan 24	Feb 7
Account Day:		
Jan 20	Feb 3	Feb 17

*New-time dealings may take place from 8.30 am two business days earlier.

IT WAS a case of "more of the same" on the UK stock market yesterday, as the latest round of corporate downgrades from London securities analysts cut into the share gains achieved over Christmas.

First reports on retail trading over the festive season, together with price competition in the UK travel industry, dealt a fresh blow to hopes that consumer spending will lead the way out of the recession in the domestic economy.

The market fell by nearly 28 Footsie points in early trading and a later rally owed much to a firm opening on Wall Street. The early gain on the Dow Industrial Average had been pared to only 4 points, however, by the time London closed for the day.

The final reading of 2,482.9 on the FT-SE Index showed a decline of 10.3. Trading was again two-way, with the institutions cautiously reshaping portfolios in the light of the sharp rise in equities over the holiday.

But with the banks and the oil shares suffering heavily from profits downgrades by a leading UK agency broker and last month's optimism towards retail stocks fast melting away, the equity sector lacked supporters in the final hour of trading.

Pressure on the store and retail sector was renewed after Boots, the joint owner with W.H. Smith of the Do-It-All group, disclosed that sales had been below target in the quarter which closed on December 31.

Gloom deepened in the sector which faces further tests today, when Dixons, another leading high street name, reports on trading, and is also braced for disturbing news this week from Ratners, the jewellery retailer.

However, the broader setback across the range of the market was fuelled by this week's bearishness towards the banking sector. Concern over bad debts was increased by the deepening of gloom over the retail sector and by disclosure by a leading accounting firm that bankruptcies among UK companies rose by 56 per cent last year. A further dip in the pound, taking it to its lowest permitted level against the D-mark, reinforced worries that UK base rates may have to be raised to protect sterling inside its ERM range.

Leading oil shares also continued to feel the pressure of downgradings by UK broking analysts who have pointed to the bearish outlook for crude prices. Although losses in BP and Shell were relatively modest, both shares failed to respond to the initial upturn in the New York market.

London-based analysts of the equity market continued to express a somewhat cautious view of the outlook, in spite of the confidence displayed by share prices over the past three weeks. At Flemings Research, the strategy team warned of a "hazardous route" to recovery in the second half of this year.

Flemings believes that the UK market has not yet discounted the risk of a rise in base rates "implicit in the government's refusal to devalue." Nor does it think that the market has fully discounted the possibility of a change in government when the UK general election is held later this year.

The economics team at Kleinwort Benson Securities, the UK merchant bank, warned that the UK government may have little choice but to raise base rates ahead of the election and that many analysts are too sanguine about this risk.

FINANCIAL TIMES STOCK INDICES

	Jan 7	Jan 6	Jan 3	Jan 2	Dec 31	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.28	87.16	87.10	87.00	86.28	83.12	87.94 (16/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.76	97.65	97.41	97.15	96.61	90.97	97.76 (7/1/92)	90.58 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1904.1	1906.5	1901.4	1886.0	1891.6	1636.9	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	140.3	139.2	140.1	137.9	140.1	174.9	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2482.9	2493.2	2504.1	2492.8	2493.1	2099.9	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1128.64	1137.86	1135.99	1130.42	1129.81†	-	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.79	4.79	4.80	4.85	4.84	5.85				
●Earning Yld %(full)	7.19	7.18	7.20	7.28	7.28	12.19				
●P/E Ratio(Net)(☆)	17.49	17.51	17.46	17.27	17.25	9.92				
SEAQ Bargns 4.45pm	28,605	32,400	29,210	31,179	16,673	30,982				
Equity Turnover(£m)†	-	*860.1*	*949.10*	*948.50*	*677.35*	*601.75*				
Equity Bargains†	-	29,750	29,293	31,039	14,954	31,390				
Shares Traded (ml)†	-	351.1	387.5	363.2	297.8	325.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 10.50. † Partial.

Ordinary Share Index, Hourly changes — Day's High 1904.2 — Day's Low 1888.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1898.1	1901.1	1890.9	1893.3	1893.9	1894.2	1897.5	1894.8	1898.3

FT-SE 100, Hourly changes — Day's High 2483.5 — Day's Low 2465.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2477.1	2482.3	2467.6	2468.4	2470.1	2470.0	2478.4	2473.4	2479.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1130.40 — Day's Low 1127.10

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1127.96	1129.02	1129.14	1128.94	1127.26	1129.86	1128.77

GILT EDGED ACTIVITY

Indices*	Jan 6	Jan 3
Gilt Edged Bargains	81.7	59.6
5-Day average	55.5	42.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Royal up on cash hope

COMPOSITE insurance group Royal Insurance rallied towards the close on hints that the proposed joint venture with its two European partners will bring Royal a cash injection which could boost its solvency ratio by as much as 10 per cent.

Last year, Royal announced a European insurance joint venture with Fondiaria, of Italy, and Aachener & Munchener, of Germany. Stories circulating yesterday indicated that Royal will inject assets into the joint venture, called European Partners for Insurance Co-operation, or EPIC, in return for cash.

Specialists said that to increase Royal's solvency ratio by some 10 per cent would require more than £300m. The Royal assets being injected into the joint venture, so the stories suggested, would involve its Dutch, Italian and Spanish businesses. Royal ended the day 3 cheaper at 280p, after 256p.

Buyers for Glaxo

Positive comment in a US business newspaper and a raised earnings estimate was said to be behind a rise against the trend for Glaxo, yesterday. Buyers turned round an early 10 fall and the shares closed 18 up at 868p with 3.4m traded.

The company was highlighted in an article raising the *possibility of its rivalling* Merck, the world's largest drugs company. Also, US investment bank Donaldson Lufkin & Jenrette moved up its earnings estimate for Glaxo.

Donaldson analyst Mr Kent Blair increased his forecast for 1992 to $1.25 per American Depositary Receipt (ADR) from $1.15 and held his buy rating. In early afternoon trading, in a lifeless New York market, Glaxo ADRs were up $1⅛ to $33⅞ - a 52-week high - with 2.3m traded. Each Glaxo ADR is equivalent to two shares.

Vodafone down

Vodafone, the UK's biggest cellular telecoms group, was a major casualty in a telecoms sector that mostly escaped the general slide in share prices. Triggering a sharp fall in the shares was a profits downgrade by UBS Phillips & Drew and news that BZW, the investment bank, had removed the stock from its buy list. At the close, Vodafone was 15 lower at 360p, having touched 359p. Turnover was higher than usual at 2.3m shares.

UBS reduced its 1992 profits estimate from £270m to £264m and its 1993 figure from £300m to £295m, with telecoms analyst Mr Adam Quinton citing increased losses at Orbitel, Vodafone's joint venture with Ericsson, the Swedish telecoms equipment manufacturing group.

BZW said it had shifted Vodafone to a "hold" because it viewed the stock's valuation as being "up with events". The investment bank spoke of disappointing figures for new Vodafone customers during December and also mentioned increasing concern about official regulation in the cellular radio business. "We are seeing the first signs of regulation in the industry," added BZW.

Unilever sold

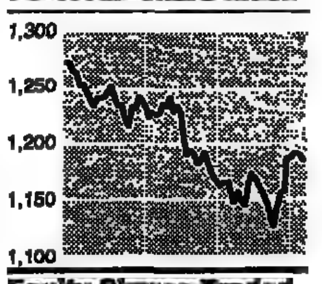
Anglo-Dutch consumer products giant Unilever fell as dealers took the view that the shares had over-reached themselves in achieving an all-time high last week. The beginning *of a turnround in one of the* FT-SE 100's best performing stocks was prompted by a number of small currency-related forecast cuts.

A large chunk of Unilever's business lies in the US, and a weaker dollar against sterling, as well as a weaker basket of Asian, African and Latin American currencies against the pound, underlay the change in profits estimates.

Although most observers remain positive on the stock, there is some concern that there has been no pick-up in Unilever's third-quarter trading in the US and UK.

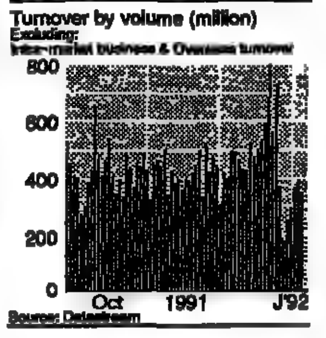
Finally, because of the high premium of the UK-listed shares there was some switching into Dutch-listed Unilever NV. Unilever fell 16 to 883p with 1.7m traded.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

Worries resurfaced that a holiday price war may develop after Thomson, one of the *industry leaders, trimmed* some prices in its summer brochure. The move by Thomson, with a 35 per cent share of the market, follows similar tactics by its closest rivals, Owners Abroad and Airtours, before Christmas. Yesterday, Airtours dropped 48 to 827p and Owners slipped 3½ to 103p.

Mr Nigel Reed at Paribas said: "There is no price war yet. But it is a situation that is likely to get worse as Owners and Airtours battle for second place and Thomson refuses to stand idly by." Ms Lisa Gordon at County NatWest was less bearish, saying that talk of a price war was overdone. "It has been more of a story in the press than it has been in the markets. I do not think it will be long-lived."

Bank shares took another pounding after James Capel, the leading agency broker, confirmed it had downgraded the sector. NatWest shares were the worst affected, sliding to 259p at one point before stabilising and closing a net 7 off at 263p; turnover reached 4.1m shares. Lloyds and Midland dipped 4 each to 390p and 209p, while Barclays eased 3 to 361p.

Commercial Union tumbled 15 to 485p in a generally weak composite insurance sector.

Hillsdown, the food manufacturing group, fell sharply, closing 10 off at 152p, after 149p, with Cazenove, the *London broker, reported as having* downgraded the stock.

Boots, first of the big retailing groups to reveal details of Christmas sales, eased 3½ to 421p. Dixons, reporting today, lost 7 to 192p. Suggestions that UBS had cut its profits estimates upset Marks and Spencer, which settled 7 off at 274p, after 272p, and Argos, down 4 at 252p. Hints of a profits downgrade by County NatWest saw Body Shop retreat sharply to close 15 down at 337p, after 333p. The placing of a block of over 1m shares saw W.H. Smith dip 17 to 422p.

News that the new Saudi Arabian budget contained an increased defence allocation helped lift British Aerospace 12 to 300p. BAe suffered weekend speculation that negotiations for a £2.5bn defence contract with the Saudis were not going well.

An £8.1m rights issue at Whessoe, the project management, engineering services and instrumentation group, was not well received, the shares slipping 8 to 226p.

Conglomerate Williams Holdings, which has had a dull time since the failure of its Racal bid, gained 15 to 311p as the market bought on consideration that the stock had become undervalued.

The substantial weakness of the leading oil issues on Monday, primarily caused by James Capel's severe profits downgrades, continued yesterday, with Enterprise another 16 off at 418p after more cuts in earnings forecasts. The latest reduction was said to have been made by S.G. Warburg Securities.

BP slipped a further 3 to 246p on heavy turnover of 6.9m shares, while Shell lost 6 more to 482p. The fall in the latter, which occurred in exceptionally heavy turnover of 5.7m, came after Mr John Toalster at Strauss Turnbull said the stock was "poised on the edge of a cliff; there is substantial downside".

ICI weakened as marketmakers used a profits forecast from Hoare Govett as an excuse to sell. Hoare is a buyer despite cutting its 1991 profits estimate to £840m from £875m and its 1992 forecast to £1.06bn from £1.125bn. However, the stock has risen sharply since Christmas and some traders saw their opportunity to take profits. The shares fell 13 to 1181p.

Pharmaceutical group Wellcome continued to lose ground it had gained on press reports that UK tests had shown the performance of Wellcome's anti-Aids drug Retrovir was boosted when used with its anti-herpes drug Zovirax.

The stock weakened 44 to 1018p, with analysts saying it *was still over-valued at current* levels.

Despite the weakness in Wall Street and the profit-taking in the pharmaceuticals sector, SmithKline Beecham maintained a rise of 5 to 905p. Group chairman Mr Jan Leschly announced that the firm would be introducing 10 products over the next five years that should generate strong sales growth.

ECC Group, the building materials concern, moved up strongly to close 7 firmer at 490p, responding to a buy note issued by Robert Fleming Securities.

MARKET REPORTERS:
Peter John,
Christopher Price,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 21.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (54).
BRITISH FUNDS (16) Tr. 3pc 1992, Tr. 9¾pc '02, Tr. 10pc '03, Conv. 9½pc '04 A, Conv. 9½pc '05, Tr. 8pc '02-06, Tr. 8½pc '07, Tr. 8½pc '07 A, Conv. 9pc '11 B, Tr. 2pc IL '92, OTHER FIXED INTEREST (8) Asian Dev 10¼pc 2009, B'ham 11½pc 2012, IABD 9¾pc 2003, Do. 2015, LCC 3pc '20 Aft., Met. Wtr. 3pc B, AMERICANS (1) Amdahl, CANADIANS (3) Bk. of Montreal, Brascan, Can. Pacific, BREWERS & DISTILLERS (1) Matthew Clark, BUSINESS SERVICES (1) Serco, CHEMICALS (1) Bayer, ELECTRICALS (1) Philips, ELECTRONICS (4) ACT, Hoskyns, Kewill Systems, Racal Data, ENGINEERING GENERAL (2) SKF, Weir, FOOD MANUFACTURING (1) BSN, FOOD RETAILING (1) Iceland, HEALTH & HOUSEHOLD (6) Amersham Intl., Hafslund Nycomed A, Do. B, London Intl., Seton Healthcare, HOTELS & LEISURE (1) Stanley Leis., INSURANCE COMPOSITE (1) FBD, MEDIA (3) LWT 3.9375p Pfd., Sunset & Vine, Ulster TV, MISCELLANEOUS (1) La Creusot, OTHER FINANCIAL (2) Baring Chrysalis Wrrnts., Sterling Tst., OTHER INDUSTRIAL MATERIALS (1) Tomkins, PACKAGING, PAPER & PRINTING (2) CMB Pkg, Repola, PROPERTY (1) London & Edin. 6¾pc Pf. 2015, TELEPHONE NETWORKS (1) Telefonica, TEXTILES (2) Brit. Mohair, Campari Intl., TRANSPORT (2) BAA, Sea Containers.

NEW LOWS (48).
AMERICANS (1) Hasbro, CANADIANS (2) Breakwater Res., TVX Gold, BREWERS & DISTILLERS (1) Wiltshire, BUILDING MATERIALS (3) Albrighton, Starmin, SWP, CONTRACTING & CONSTRUCTION (2) Dean & Bowes, Prowting, ELECTRONICS (2) AB Electronic, Premier, FOOD MANUFACTURING (3) Berisford Intl., Hillsdown, Matthews (B), HEALTH & HOUSEHOLD (1) JE Pathology, HOTELS & LEISURE (3) Buckingham Intl., Principal, Wembley, INSURANCE BROKERS (1) Willis Corroon, INVESTMENT TRUSTS (2) General Cons., M & G 2nd Dual, MEDIA (1) MML, MISCELLANEOUS (3) Abbeycrest, Excalibur, PPG Hodgson Kenyon, OIL & GAS (5) Enterprise, Globe Pet., Goal Pet., Hardy, Triton Europe, OTHER FINANCIAL (6) Fidelity Japan OTC, Do. Wrrnts., King & Shaxson, Latin Amer. Extra Yield, Smith New Court, World Tst., PACKAGING, PAPER & PRINTING (1) Waverley Cameron, PROPERTY (5) Chesterfield, CountyGlen, Dwyer, Do. 7¼pc Prf., Mountleigh, Stanhope, STORES (1) Ratners 6⅞p Prf., TRANSPORT (1) Bergesen, MINES (3) Anglovaal, Cluff Res., De Beers Lnd. Uts.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	41	380	-15	Cookson	647	110	-2	Lucas	2,700	118		Shell Transport	6,500	482	-6
ASDA Group	8,700	33		Courtaulds	677	519	+2	MB Caradon	1,400	280	-4	Siebe	313	538	+5
[illegible]	880	284	-9	Dalgety	335	384		MEPC	643	389	-6	Slough Ests.	563	228	-1
Albert Fisher	808	74	+1	De La Rue	221	482	-1	Manweb	647	319	-3	Smith (W.H.) A	3,800	422	-17
Allied-Lyons	2,100	643	+8	Dixons	1,700	192	-7	Marks & Spencer	3,600	274	-7	Smith & Nephew	414	132½	-½
Amstrad	1,300	24		ECC Group	349	490	+7	Midland Bank	1,600	209	-4	SmKl Beecham	1,400	905	+5
Anglian Water	243	336	+3	Eastern Elect.	459	227	-6	Midlands Elect.	633	289	-6	SmKl Beecham Uts	117	4175	+25
Argos	2,000	252	-4	East Midland Elect.	479	244	-5	NFC	495	237	+1	Smiths Inds.	90	270	-4
Argyll Group	1,600	281	+4	Enterprise Oil	1,600	418	-16	NatWest Bank	4,100	263	-7	Southern Elect.	383	287	-6
Arjo Wiggins	1,200	249	-1	Eurotunnel Units	1,300	424	+4	National Power	2,500	142½	-2	South Wales Elect.	69	307	-4
Ass. Brit. Foods	45	489		FKI	965	55		Next	4,200	56½	+1½	South West Water	2,100	327	+10
BAA	606	582	+7	Ferranti	429	6		North West Water	325	305	-4	South West. Elect.	99	241	-3
BAT Inds.	1,300	628	+2	Fisons	2,800	337	-2	Northern Elect.	270	265	-7	Southern Water	465	316	+4
BET	796	204	+4	Forte	460	330	+4	Northern Foods	312	532	-6	Standard Chartd.	1,000	424	-9
BICC	955	331	+6	Gen. Accident	976	473	-8	Norweb	189	294	-2	Storehouse	2,000	99	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Land	746	262	-1	Hillsdown	6,100	152	-10	Reuters	709	1034	-21	Unilever	2,200	883	-16
BP	6,900	246	-3	IMI	671	225	+1	Rolls Royce	2,800	125½	-3½	United Biscuits	1,900	402	
British Steel	4,500	88		ICI	1,400	1181	-13	Rothmans	463	1137	-8	Utd. Newspapers	247	345	-1
British Telecom	5,400	351		Inchcape	848	365	-2	Ryl Bk Scotland	2,800	160	-2	Vodafone	2,300	360	-15
Br. Telecom New	34,000	128½	+½	Kingfisher	4,200	450	+4	Royal Insurance	1,600	280	-3	Warburg (SG)	108	596	-2
Bunzl	863	88	+1	Ladbroke	1,300	227	+4	Saatchi	17,000	13	-½	Wellcome	2,400	1018	-44
Burmah Castrol	784	485	-4	Land Securities	289	448	-5	Sainsbury	1,800	386	-6	Welsh Water	262	347	-1
Burton	882	37		Laporte	73	612	-1	Scottish & New.	1,500	424	+6	Wessex Water	118	375	
Cable & Wire.	3,600	584	-4	Legal & General	388	384	+1	Scot. Hydro-Elect.	1,900	106	-1	Whitbread 'A'	878	485	+2
Cadbury Schweppes	1,300	446	-2	Lloyds Abbey	859	382	+1	Scottish Power	4,800	105½	-½	Williams Hldgs.	1,500	311	+15
Calor Group	18	211		Lloyds Bank	1,100	390	-4	Sears	1,400	94		Willis Corroon	305	234	
Carlton Comms.	577	510	-3	LASMO	1,300	225	-6	Sedgwick	775	213		Wimpey	87	120	+1
Coats Viyella	1,400	146	-2	London Elect.	1,500	260	-1	Seeboard	610	288	-4	Yorkshire Elect.	1,100	301	-7
Comm. Union	1,300	485	-15	Lonrho	5,100	176	-1	Severn Trent Water	1,600	305	+6	Yorkshire Water	200	281	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

CHOPPY, volatile trading continued in the derivative markets early yesterday, but *there were signs that the large* premium in Footsie futures was being eroded, writes Peter John.

The March contract was marked down to 2,512 at the opening to take into account the softer opening in the underlying market. However, it was soon appreciated that a number of traders were needing to buy, and when cash rallied March was squeezed up some 26 points to take advan*tage of the short positions.*

The rally was overdone and the contract was sold down, from its high of 2,528 to 2,506. As the premium to cash narrowed the arbitrageurs moved in. Although March was still about 8 points above its estimated fair value, it was substantially lower than it had been and they were able to buy the future and sell stock. At the official close, March was at 2,522, 12 points above fair value with 5,900 contracts traded.

On the LTOM, there were just over 26,000 contracts dealt. British steel was the top option after one house sold 1,400 April 70s and bought 700 April 80s. Store concerns Marks and Spencer and Kingfisher were among the most actively traded companies.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
12¾pc 1992‡‡	[illegible]	[illegible]	[illegible]	101½	100⅛	12.73	-
10pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.02	10.31
2pc IL 1992‡‡	[illegible]	[illegible]	[illegible]	[illegible]	125	1.66	8.30
8pc 1992 ‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.30
10½pc Cv 1992‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12¼pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13½pc 1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 1993	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12½pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Funding 6pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¾pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8¼pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14½pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 10pc Ln 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12½pc 1994	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 3pc Gas 90-95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10¼pc 1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12¾pc 1995‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 1992-96‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9¾pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15½pc '98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.76
Treas 9½pc 1999‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.49
Exch 12¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.77
Treas 10½pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Index-Linked

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2pc '96	(67.9)	177½	[illegible]	177½	[illegible]	[illegible]	4.07
2½pc '01	(78.3)	144	[illegible]	[illegible]	137	4.02	4.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Sir Derek Alun-Jones, the former chairman of Ferranti International who resigned in the wake of extensive fraud at its US subsidiary, has been named chairman of STRAKER, a small contract stationery company based in Mitcham, Surrey. The chairmanship of Straker, a company with a turnover of less than £10m, had previously revolved between directors at successive board meetings.

Jonathan Straker, one of the directors, says he has known Sir Derek since their army days, and approached an old friend "knowing he had time on his hands".

Sir Derek is unlikely to have accepted the post for its financial rewards - the size of his Ferranti pay-off caused many raised eyebrows at the time. Perhaps he harbours some nostalgia for stationery: back in the 1960s he was finance director of Henry C Stephens, a big name in the ink business in those days.

Silver-plated service

Leslie Silver has resigned from KALON Group after nearly 45 years at the head of the paint business, which he founded after leaving the RAF with £250 savings.

His retirement, at 67, will leave him to devote most of his energy to Leeds United Football Club, top of the English Football League, of which he is chairman. He also chairs the board of governors at Leeds Polytechnic.

Silver built up the paint business as the privately owned Silver Paint and Lacquer Company, which in the 1950s was one of the first producers of emulsion paint. In the 1970s it started supplying own label paint to supermarkets and DIY chains and joined the stock market in 1985 by reversing into Leyland Paint and Wallpaper. The Silver family holdings are now down to to less than 29 per cent.

Other departures

■ William Barnes has retired from SHILOH.

■ Walter Sneddon has retired from CHARLES BAYNES.

■ Stuart Kelso has resigned from RIVA Group.

■ Michael Holt has resigned as finance director of POLY-MARK INTERNATIONAL but continues as a non-executive.

■ J Dundas Hamilton, Jeremy Potter and Sir Geoffrey Johnson Smith have retired from LWT (HOLDINGS). On January 31 Roy van Gelder will retire and Graham Howell, company secretary, will join the board.

■ Barry Bradley has resigned from BRITISH & AMERICAN FILM HOLDINGS.

■ Frank Tomes is appointed product chief executive of T&N's industrial products and materials, part of its bearings and industrial division. Tomes is also md of BIP Chemicals which has been reorganised into two divisions: the moulding materials division, for which the md is Greville Hampshire, and the resins division, for which the md is John Heston.

In a separate move, T&N has appointed David McIlalleu md of Ferodo, Brian Lindsay md of Ferodo Caernarfon, and Richard Newson md of Brake Linings.

■ Roderick Sears-Black is appointed production director of TAVENERS.

■ On the retirement of Gordon Dunlop, Simon Miller is appointed chairman of FERRUM Holdings; he is replaced as chief executive by Garry Frier.

Bowthorpe's third man

Do ex-financial journalists make good company chairmen? Anthony Vice, who spent 18 years as a city scribbler before moving into merchant banking, is about to find out. He has been appointed non-executive chairman of BOWTHORPE Holdings, the 55-year-old electronics group.

The 60-year-old Vice, who has written a number of books including Bid for Power and Financier at Sea, has taken over from Raymond Parsons who retired as executive chairman at the end of the year.

The 81-year-old Parsons, who was only the second chairman - after founder Jack Bowthorpe himself - in the company's history, has been made life president and remains a non-executive director.

John Westhead, Bowthorpe's group managing director since 1980, has been promoted to chief executive.

After Oxford, Vice joined the Financial Times in 1953, moved to the Daily Telegraph in 1958 and the Sunday Times six years later. He helped found the Times Business News in 1967, and in 1971 joined N M Rothschild.

Vice says that his switch into merchant banking at a relatively elderly 39 followed a celebrated lunch where Jacob Rothschild asked him if he would like to play the game rather than just write about it.

He stepped down as a director of N M Rothschild, Bowthorpe's financial advisers, at the end of 1991.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

	Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
Sceptre		78¾	-2½	202	75	—	—	—
Schlumberger $		£30¼	—	£42⅝	£29⅞	7,255	2.1	—
Shell Trans.	†	482	-6	546	419	15,875	5.6	12.2
7pc Pf		64xd	+½	65½	58	5.49	10.2	—
Sidlaw		224	-½	243	126	78.7	5.4	12.7
Teredo Petm		18	—	34	13	5.61	—	—
Texaco 8pc Cv		£117½	—	£138	£115	1,458	6.8	—
Total B FFr		£107½	+1½	£111¼	257	4,478	3.3	8.2
Trident Petm		3	—	13	2½	8.85	—	—
Triton Europe	s	78	-2	114	78	84.3	1.9	14.3
Tullow		12½	-½	14	8	18.1	—	—
Tuskar I£		4¼	—	14½	3	11.2	—	—
Utd. Energy		48	+1	62	21	4.88	—	—
Do. Warrants		22	—	31½	10½	0.41	—	—
Ultramar	†	288	-11	368	233	984.6	5.4	19.0
Victoria Petm		4½	—	7	2½	3.82	—	—
Woodside A$		167	-2	197	102	1,046	1.1	51.4
XCL Sunrise		3½	—	7	1¾	1.11	—	—

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Unit Tst Mngrs (1000)H

[illegible]

Aberforth Unit Trust Managers Ltd (1600)F

[illegible]

Britannia Life Unit Managers Ltd (1200)F

[illegible]

Brown Shipley & Co Ltd (1000)F

[illegible]

MGM Unit Managers Ltd (1000)F

[illegible]

NW Investment Managers Ltd (0659)F

[illegible]

Maiden Unit Trust Managers Ltd (1400)F

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED**)

FT MANAGED FUNDS SERVICE

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$16.82	17.67	-0.18	1.05
Japan Tech	$58.09	62.05	+0.07	-
Japan Fund		27.09	+0.12	0.17
Japan New Generation			+0.32	-
Malay Sing	$57.06	60.76	+0.05	0.31
N American	$24.51	25.34	-0.02	0.58
Octagon Fund	$23.00	24.10	+0.40	0.88
Pacific Fd	$64.07	67.20	+0.58	-
International Bond	$18.03	18.94	+0.19	6.89
Europa Fund	$14.05	14.78	+0.21	-
British Strats Fd	£0.85	0.90		-
Trojan Warrant	$11.79	12.58	+0.10	-
Hong Kong	$53.76	56.34	+0.50	3.09
Mngd Portfolio (Stlg)	£4.02	4.34	+0.03	-
Mngd Portfolio (Dlr)	$10.87	11.48	+0.12	-
Currency Fd-Sterling		£19.09		-
Currency Fd-US Dollar		$13.35		-
Cur Fd-Deutschemark		DM41.22	+0.01	-
Cur Fd-Managed $	$46.90	49.26	+0.29	-

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

Institutional Serv Series*		$1.00		4.56
Investment Series*		$1.00		4.46

*Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

Asset Global Funds Ltd (1200)

Victory Hse, Prospect Hill, Douglas, IoM. 0624 620097

CMI Fund Managers (IoM)

Clerical Medical Hse, Douglas, IoM 0624 625549

Equity & Law Intl Fund Mngrs Ltd

Victory Hse, Prospect Hill, Douglas IoM 0624 677877

Total Income Fd ..... 5 | 95.64 | 95.82 | 100.89 | +0.27 | 10.2

Gartmore Fund Managers (IoM)

PO Box 32, Douglas, IoM 0624 627610

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

TSB Trust Funds—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5	140.16	140.16	151.23	-0.50	0.91
International Equity	5	115.48	115.48	123.07	-0.20	0.00
Far Eastern	5	86.82	86.82	93.15	+0.20	0.00
European	5	81.00	81.00	85.75	-0.28	0.00
Pan American	5	161.22	161.22	171.14	-0.05	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.11	97.11	100.35	+0.14	10.26
Monthly Share	3	96.65	96.65	99.86	+0.14	10.31

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling		£21.66	.....	9.6
US Dollar		$31.64	+0.01	3.6
Deutschemark		DM55.98		8.2
Yen		Y4,082	+0.002	5.1
Managed Multicurrency	£12.91	13.37	-0.05	-
Managed Multicurrency	$25.39	26.29		-
Bond Funds				
Sterling Bond	£0.413	0.429	.....	10.6
US Government Income	$101.77	106.39	+0.17	6.6
Asian Selection Funds				
Hong Kong	$13.689	14.403	+0.085	3.0
Indonesia	$7.738	8.163	-0.084	2.5
Korea	$9.891	10.412	+0.252	2.5
Malaysia	$9.970	10.495	+0.053	0.5
Philippines	$11.467	12.071	+0.157	2.5
Singapore	$12.367	13.018	-0.042	1.0
Thailand	$12.732	13.402	+0.246	2.5
South East Asia	$11.576	12.185	+0.075	3.0
US Dollar Liquidity	$9.622	10.103	...	3.4

Cater Allen Investment Management (CI)

CA Gilt Income	£6.56	6.84		17.54
CA Gilt & Futures	£1.040	1.093		7.32
CA Equity Gwth	£3.92	4.29	+0.02	3.50

Citibank (CI) Ltd "Citifunds"

Liquidity Funds				
Deutschmark		DM30.355	+0.007	-
Sterling		£12.330	+0.003	-
Managed		$19.508	+0.225	-
Short Term Investment Funds				
Irish £ Jan 3		113.469	+0.230	-
Equity Funds				
Global Equity		$17.873	+0.191	-
Chicago Jan 6		$38.149	+1.718	-
Bond Funds				
Global Bond		$16.953	+0.100	-
GNMA Bond Jan 6	$14.603	14.711	+0.014	-
HYB (A) Jan 6		$79543.150		-

EBC Trust Company (Jersey) Ltd

EBC Amro Trusted Currency Fund Ltd

Income	$15.57	16.047	+0.021	4.01
Capital	$23.85	24.575	+0.020	5.50

Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe L-1637 Luxembourg 010 352 404646l

Abtrust Atlas Fund

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Cap Portfolio		$-	2.673	2.901		-
		$-	3.135	3.404		-
United Kingdom Portfolio		£-	1.156	1.254		3.05
Cont'l Europe Portfolio		DM-	3.953	4.292		0.28
Europrivo Portfolio		£-	1.045	1.135		1.72
Japan Portfolio		£-	0.645	0.700		-
Pacific Portfolio		$-	2.777	3.015		1.8
		$-	2.366	2.554		-
UK Growth of Income		£-	1.192	1.295		1.99
Dollar Portfolio		$-	1.990	1.991		4.52
Jap Smlr Cos P'folio		£-	0.824	0.894		-
Sterling Portfolio		£-	1.052	1.053		8.42

Aetna Intl Umbrella Fund (u)

47 Blvd Royal, PO Box 275, L-2012 Lux 010 352 20860

AEtna International Umbrella Fund

American Equity	$-	7.22	-0.01	0.56
Asian Equity	$-	9.39	+0.04	0.68
Australian Equity	A$-	5.94	+0.06	2.76
European Equity	$-	7.51	+0.16	0.15
Japanese Equity	$-	3.81	+0.12	0.00
UK Equity	£-	5.94	-0.01	2.03
Income and Growth Funds				
American Inc & Gwth	$-	6.05		3.75
European Inc & Gwth	$-	6.49	+0.13	1.44
Pac Basin Inc & Gwth	$-	5.06	+0.10	0.00
UK Inc & Gwth	£-	5.67		4.20
Income Funds				
Australian $ Bond	A$-	5.51		8.94
Canadian $ Bond	C$-	5.82	+0.04	7.13
Deutschemark Bond	DM-	4.65	+0.01	6.37
Mngd European Bd	$-	5.06	+0.09	6.00
Sterling Bond	£-	4.91		8.94
US Dollar Bond	$-	5.34	+0.01	4.37
Yen Bond	Y-	491	+1.00	6.36
Liquid Reserve Funds				
Deutschmark Res	DM-	5.06		7.70
Sterling Reserve	£-	4.80	+0.01	11.67
US Dollar Res	$-	5.08	+0.01	5.02
Yen Reserve	Y-	499		4.29

Barclays Intl Funds (Luxembourg) (1400)

41 Avenue de la Gare L-1611 010 352 404344

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Equity	5¼	0.730	0.730	0.777		1.1
	3¼	96.09	96.09	100.47		7.6
Intl Equity	5¼	1.130	1.130	1.203		1.0
	5¼	26.04	26.04	27.69		1.2
Pacific Eq	5¼	4.181	4.181	4.446		1.2
UK Equity	5¼	0.933	0.933	0.993		3.9

CMI Asset Management (Luxembourg) SA (u)

203 route d'Arlon, L-1150 Lux 010 352 458825

Safeguard Portfolio F	£-	0.958	1.020		-
Growth Portfolio F	£-	0.877	0.934		-
Enterprise Portfolio F	£-	0.821	0.874		-

CMI Global Network Fund

Antipodean Equity		12.761		1.51
Benelux Equity		19.442		1.26
Canadian Equity		10.077		1.06
Far East Emerging Econs	$-	9.869		-
French Equity	FFr-	54.584		2.72
	DM-	18.154		.29
Iberian Equity	Pta-	710	+9	-
Italian Equity	L-	7485	+150	-
Japanese Equity	Y-	1611	-1	-
Nordic Equity	SKr-	94.094		-
Swiss Equity	SFr-			-
UK Equity	£-			1.79
US Equity	$-	12.559		2.06

Hypo Foreign & Colonial Port Fd Sicav – Contd.

British Equity	$-	9.43	+0.12	-
Nth American Bond	$-	11.12	-0.01	-
Multi-Currency Bond	$-	11.52	+0.06	-
Sterling Bond	£-	9.51	+0.02	-

INVESCO MIM International Limited (u)

PO Box 271, St Helier, Jersey 0534 73114

Asia Super Gwth Fd	$-	12.81	13.49	+0.11	-
Income Plus*	$-	10.96	11.55	+0.19	9.19
Maximum Income	£-	0.97	1.01	-0.01	11.00
Okasan Global Strat	$-	16.49	17.36	-0.08	-
Warrant Funds					
PS Nth American Wrnt	$-	7.57	8.11	-0.09	-
PS North Amer Wrnt £	£-	4.03	4.32		-
Asia Tiger Warrant	$-	1.59	1.72	+0.01	-
Asia Tiger Warrant £	£-	0.85	0.92		-
European Warrant	$-	1.69	1.82	-0.01	-
European Warrant £	£-	0.90	0.97		-
Nippon Warrant	$-	5.10	5.47	+0.01	-
Nippon Warrant £	£-	2.71	2.91	.....	-
Premier Select Funds					
American Growth	$-	5.05	5.42	+0.07	-
American Enterprise	$-	7.35	7.88	-0.07	-
Asia Tiger Gwth	$-	5.29	5.68	+0.03	-
Dollar Reserve	$-	5.11	5.12		-
European Growth	$-	4.16	4.47	-0.06	-
European Enterprise	$-	4.74	5.09	+0.02	-
Global Emerging Mkts	$-	5.35	5.74	+0.01	-
Global Growth	$-	4.71	5.05	+0.01	-
Nippon Enterprise	$-	6.18	6.63	+0.08	-
Nippon Growth	$-	4.49	4.82	+0.03	-

* Twice weekly

For Ivory & Sime see Abtrust

Kleinwort Benson Japanese Warrant Fund

14 rue Aldringen Luxembourg 010 352 4799-1

NAV $- 9.577

Kleinwort Benson Select Fund (u)

14 Rue Aldringen L-1118 Luxembourg 010 352 47991

British	Ecu-	1.87	1.97	-
Emerging Asia	Ecu-	1.59	1.69	-
European	Ecu-	1.74	1.85	-
International	Ecu-	1.66	1.76	-
Japanese	Ecu-	1.59	1.69	-
Kansallis World	FM-	12.38	13.01	-
North American	Ecu-	2.02	2.14	-
Pacific	Ecu-	1.69	1.80	-
Dollar Bond	$-	1.97	2.07	-
International Bond	Ecu-	1.98	2.08	-
Sterling Bond	£-	1.95	2.05	-

Latin American Management Co Ltd (u)

Exchange Hs, Primrose St, Ldn, EC2A 2NY 071-628 1234

Argentinian Inv Co	$-	28.66	-0.46
Brazilian Inv Co SICAV	$-	20.67	
Mexican Inv Co SICAV	$-	26.79	

Liberty ALL-STAR World Pfolio-Eqty Fd(u)

2 boulevard Royal, Luxembourg 010 352 45901

NAV (u) $- 10.35 +0.07

Lloyds Bank Luxembourg

1, Rue Schiller, Luxembourg 010 352 4022121

Lloyds International Portfolio

Smaller Cos	$-	19.04	19.47
Canadian Dollar Bds	C$-	114.36	116.93
Deutsche Mark Bonds	DM-	107.76	110.17
Dutch Guilder Bonds	Dfl-		
ECU Bonds	Ecu-	110.65	113.14
French Franc Bonds	FFr-		
Sterling Bonds	£-	110.88	113.37
Swiss Franc Bonds	SFr-	105.56	107.63

Credit Commercial de France

	Bid Price	Offer Price	+ or -	Yield Gross
Euro Smlr Cos Class A	Ecu12.49			-
Euro Smlr Cos Class B	Ecu12.49			-
CM Actifrance (u)	$37.13		+0.05	-
Euro Prestige Cls A (u)	Ecu8.79			-
Euro Prestige Cls B (u)	Ecu10.66			-

Credit Suisse

CS Money Mkt Fd US$	$1665.48	1665.49		-
CS Money Mkt Fd DM	DM1470.72	1470.73		-
CS Money Mkt Fd £	£1999.85	1999.86		-
CS Money Mkt Fd Yen	Y134,558	134,569		-
CS Money Mkt Fd Ecu	Ecu1141.72	1141.73		-
CS Money Mkt Fd C$	C$1148.18	1148.19		-
CS Money Mkt Fd SFr				-
CS Money Mkt Fd Gldr				-
CS Money Mkt Fd Lire				-
CS Money Mkt Fd FFr	FFr5105.08	5105.09		-
CS Prime Bond DM A	DM95.37	94.31		-
CS Prime Bond DM B	DM112.52	113.66		-
CS Short-Tm Bd $ A	$102.88	102.89		-
CS Short-Tm Bd $ B	$143.82	143.83		-
CS Short-Tm Bd DM A	DM94.82	94.83		-
CS Short-Tm Bd DM B	DM126.97	126.98		-
CS Ecu Bd A	Ecu97.30	98.25		-
CS Ecu Bd B	Ecu142.51	143.95		-
CS Guilder Bd A	Dfl92.66	93.60		-
CS Guilder Bd B	Dfl123.35	124.59		-
CS Gold Valor	$108.37	110.42		-
CS Euro Blue Chip A DM	DM221.74	226.17		-
CS Euro Blue Chip B DM	DM225.84	230.37		-
CS Europa Bd A/B DM	DM254.82	257.38		-
CS Tiger	$617.55	641.67		-
CS Gold Mines A/B $	$190.32	194.14		-
	$175.66	179.08		-
CS H'pano Iberia A Pta	Pta21.091	21.514		-
CS Hispano Iberia B Pta	Pta21.671	22.105		-
CS Euro Fin A/B	DM203.52	207.60		-
CS Euro Fin A/B	SFr180.89	184.52		-
CS Fixed Int DM Bnd 1/96	106.65	108.83		-
CS UK A/B £Stg	£96.14	98.07		-
CS France A/B FF	FFr983.88	1,003.57		-

Daiwa Japan Gem Fund

Daiwa Japan Gem $9.13 9.27 +0.24 -

Daiwa Japan Small Equity Fd (u)

Daiwa Japan Small Eq $9.86 +0.14 -

Dean Witter World Wide Invest. Tst SA

NAV $27.65 -

The Dragon Fund Sicav

NAV Dec 31 $104.05 -

Dresdnerbank Asset Management SA (u)

Thornton-Lux Tiger DM63.46 66.63 -

Espirito Santo Investment Mngmt (SICAV)

Southern European Fd	39.00	+0.24	-
ECU Bond	Ecu105.36	-0.04	-

Eureca Management S.A.

Eureca Fd NAV Jan 2 Ecu24.98 -

Europe Plus Investissement (SICAV) (u)

NAV Jan 3 Ecu149.59 -0.17 -

Europe Value Fund (u)

NAV $10.91 +0.22 -

EurOptec (u)

European Protection Ecu97.07 102.72 -

Fidelity Intl Inv Mngt (Luxembourg) SA

Viking Fund—SICAV

NAV Dec 31 Ecu67.74

"WINTERTHUR" Fund Mngmt Co (Lux) SA

WIN Global Intl Bond	Ecu111.85		-
WIN Global Intl Equity	Ecu97.90		-
WIN Global Intl Reserve	SFr212.68		-

World Bond Fund—SICAV (u)

World Bond Fund $25.66 26.95 +0.18 0.74

Inv Adv S G Warburg Asset Mngt London

World Trust Fund

Shares NAV	$9.94	+0.15	-
UNIT NAV	$49.70	+0.75	-

Yamaichi Advanced Technology Fd

Advanced Tech. $20.23 -

Yamaichi 1992 OMNI Fund SICAV (u)

NAV $10.22 10.28 -

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

8 Baarerstrasse CH6301 Zug, Switzerland 217180

Bayer Sf, Series A	SFr-	8810.0	9370.0	-
Bayer Sf, Series B	SFr-	881.0	937.0	-

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Philippines Long Term Equity Fund

NAV Nov 30 $16.04

Abtrust Fund Mngrs (Guernsey) Ltd

The New Asia Fund Ltd

NAV US$ (diluted)	$-	
NAV US$ undiluted Dec 31	$6.71	

Adig Investment

Adirenta	DM20.86	21.49
Adiverba	DM138.79	145.73
Fondak	DM67.98	71.38
Fondis	DM57.61	60.49

Aetna Malaysian Growth Fd (Cayman) Ltd

NAV Jan 6 $8.4792

Alliance Capital

International	$15.24	16.13	+0.36
International Class B	$15.13	15.13	+0.35
Quasar	$22.03	23.31	+0.24
Quasar Class B	$21.85	21.85	+0.23
Global Small Cap	$10.85	11.48	+0.13
Global Small Cap Class B	$10.76	10.76	+0.12
Canadian Fd	$5.40	5.71	+0.04

Alliance International Currency Reserves

US$ Reserves Dec 31–Jan 6 0.000089156 (3.18%pa)

Asian Convertibles & Income Fd (Cayman)

NAV Jan 2 $9.43

Austro–Hungary Fund Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

NAV Jan 2 $6.95

Gaia Currency Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Gaia Hedge I	$107.95	108.36		-
Gaia Hedge II	$260.63	263.55		-
Gaia Hedge III	$52.19	52.95		-
Gaia Gtd Crncy I	$81.15	-		-
Gaia Gtd Crncy II	$87.22	-		-
Gaia Swiss Franc	SFr104.68	105.80		-

Gartmore Investment Ltd

Gartmore Fund Managers International Ltd

Capital Strategy Portfolio

Income Portfolio	1.02	+0.01	9.42
Growth Portfolio	£1.20		0.98
Balanced Portfolio	1.10	-0.01	1.48

Genesis Fund Managers Ltd

Chile Fd NAV Dec 31	$-	27.79	-
Emerging Mkts Dec 31	$-	18.65	-
Malaysia Maju Dec 31	$-	9.54	-
Condor Fd Dec 31	$-	14.26	-

Gertrust SA

Samurai Portfolio SFr287.00 291.10 -

Global Asset Management

GAMerica	$291.02		-
GAM Arbitrage	$286.73		-
GAM ASEAN	$192.37		-
GAM Australia	$146.63		-
GAM Boston	$337.90		-
GAM European	$98.23		-
GAM Europe Fd	$76.99		-
GAM France	FFr1441.85		-
GAM Franc-val SFr	SFr182.26		-
GAM Global Fd	$108.99		-
GAM High Yield	$113.74		-
GAM Hong Kong	$263.23		-
GAM International Fd	$141.05		-
GAM Japan	$671.80		-
GAM Nth America Fd	$133.12		-
GAM Money Mkt US$	$100.08	+0.01	-
Do Sterling	£100.34	+0.03	-
Do Swiss Fr	SFr100.18	+0.02	-
Do Deutschmark	DM100.20	+0.02	-
Do Yen	Y10010	+1	-
GAM Multi-Mngr-Arbitrg	$129.21	+2.94	-
GAM Multi-Mngr-Gen Ec	$120.37	+2.61	-
GAM Multi-Mngr Trading	$119.47		-
GAM Multi-Mngr Deferred	$110.67	-1.26	-
	$103.86	+3.81	-
GAM Overseas	$96.35	+0.10	-
GAM Pacific	$582.01		-
GAM Pacific Basin Fd	$133.49		-
GAM Restructuring	$140.73		-
GAM Selection	$449.20	+2.78	-
GAM Singapore/Malaysia	$249.47		-
GAM SFr Special Bond	SFr101.29		-
GAM Tyche	$286.47		-
GAM U.S.	$228.20		-
GAM ut Investments	$613.08		-
GAM Value	91.74	+1.93	-
GAM Whitethorn	$166.58		-
GAM Worldwide	$434.14		-
GSAM Composite	$266.52	-0.97	-
GAM Bond $ Ord	$129.40		-
GAM Bond $ Special	$149.40		-
GAM Bond SwFr	SFr83.47		-
GAM Bond Yen	Y12652		-
GAM Bond DM	DM98.12		-
GAM Bond £ Stlng	£123.64		-
GAM (CH) Mondial	SFr1253.00		-
GAM (CH) America	SFr1979.00		-
GAM (CH) Pacific	SFr1923.00		-
GAM (CH) Europe	SFr74.00		-
GAM Tradition	SFr881.00		-

North Star Fund Managers – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Second High Prrform Fd	Dkr237.0	238.0		-
	DM161.0	162.0		-
	Dkr144.0	145.0		-
High Perf Fd (Cayman)	Dkr162.0	163.0		-
Bond Fd (Cayman)	Dkr141.0	142.0		-
Mixed Fd (Cayman)	DM130.0	131.0		-
High Security Fd	Dkr167.0	168.0		-
High Income Fd	£12.1	12.2		-
Dollar Growth Fd	$1.42	1.43		-
Dollar Income Fd	$1.16	1.17		-
North Star International Currency Fund				
US Dollar	$14.8	14.9		-
Pound Sterling	£15.6	15.7		-
Deutschmark	DM148.0	149.0		-
Japanese Yen	Y1450.0	1460.0		-
Danish Kroner	Dkr153.0	154.0		-
Swiss Franc				-
French Franc	FFr150.0			-
Swedish Kroner	SKr98.0	99.0		-

Northfield International Ltd

NAV Nov 30 $9.79 -

Optima Fund Management

Optima Fd NAV Dec 27	$14.52	-
Optima Fut Fd NAV Dec 27	$11.16	-
Optima Short Fd NAV Dec 27	$9.43	-

Orbis Investment Management Ltd

Orbis Global Eqty	$12.39	13.02	-
Orbis Optimal Eqty	$15.53	16.32	-
Orbis Leveraged Eqty	$15.97	16.89	-

* Prices on Jan 2 Next Pricing Jan 9 Weekly Pricing

Orbitex Bahamas Ltd

Orbitex Growth Fund	$7.1216	7.8338	-
Orbitex Nat Res Fd	C$6.5676	7.2244	-

ORIENT Growth Fd

NAV $10.32 +0.15 -

PAM Futures Trading (Cayman) Ltd

NAV Jan 6 $311.85 -

PFC Internat'l Portfolio Fd Mngt Ltd

Specialist Growth Fd	$2.69	-
Balanced Growth Fd	$2.32	-
Sterling Income Fd	£1.36	-
Strategic Reserve Fd	$0.91	-
PFC-LCC & B	$13.13	-
PFC Cap Global P'folio	$11.41	-
PFC Dynamic Mkts P'folio	$10.33	-

PRS International

PRS Divid Return	$9.32	-
PRS Acq'tion Arbitrage	$20.51	-
PRS Managed Futures	$14.10	-
PRS Hedged Equities	$12.75	-
PRS Fixed Rate	$11.61	-
PRS Opportunity	$10.22	-
	$10.81	-
PRS Multimanager	$9.96	-

Pacific Growth Fund

NAV $17.28 +0.08 -

Pakistan Fund

NAV $7.41 -

Pierson Heldring & Pierson

Tokyo Pac Hldgs NV	$209.53	-
Leveraged Cap Hldgs NV	$465.62	-
Asia Pac Gth Fd NV	$29.16	-
Asian Selection	Dfl51.45	-
DP Am Gth Fd NV	$36.01	-
Europe Gth Fd NV	Dfl46.87	-
Japan Diversified Fd	$45.51	-
Environment Growth	Dfl50.30	-
EMS Offshore Fd	99.37	-

Morgan Stanley Sicav

Global Equity Jan 7	$1045.3246	
Global Bond Jan 7	$1307.7218	
Money Mkt Plus	$1244.8682	
Patrimony Fd Jan 7	$1311.9140	
European Eqty Jan 7	$975.1216	
European Bd Jan 7	Ecu1093.8238	
	$1215.6858	
Asian Equity A Jan 7	$1092.6492	
Emerging Mkts Jan 3	$14.80	

Murray Universal Sicav

American Port Jan 2	$32.98	34.63
European Port Jan 2	$9.11	9.57
Japan Port Jan 2	$195.29	205.01
Pacific Port Jan 2	$11.47	12.04

NM Income & Gwth Fd

NAV $19.80 +0.28

Nikko Bank (Luxembourg) S.A.

Nomura Asia Europe Fund

NAV $9.88 +0.02

Nomura Asian Infrastructure Fd SICAV

NAV $12.26 +0.05

Nomura Rosenberg Alpha Fund Mark II

Portfolio A NAV	$14.63	-0.02
Portfolio B NAV	$14.03	+0.10

Norit Currency Fund

NCF USD	$924.71	
NCF DEM	DM932.85	
NCF CHF	SFr940.97	
NCF FRF	FFr4698.99	
NCF JPY	Y92501	
NCF BEF	BFr28226	

Pacific Basin Growth Fund

NAV A Shs	$10.53	+0.06
NAV B Shs	$11.60	+0.13

Rosenberg Global Mngt Co SA (u)

Portfolio A NAV	$10.40	+0.27
Portfolio B NAV	$11.48	+0.37

Rosenberg Management SA (u)

Portfolio A NAV	$10.32	+0.01
Portfolio B NAV	$11.27	+0.06

Rosenberg US Japan Mngmt Co SA (u)

Portfolio A NAV	$9.70	+0.17
Portfolio B NAV	$10.78	+0.25

SCI/TECH SA

SCI/Tech NAV $19.36 +0.19

Skandifond

Skandinaviska Enskilda Banken

Equity Intl Acc	$15.19	15.96	+0.06
Equity Global	$1.41	1.49	
Far East	$2.35	2.48	
Equity Natural Res	$0.72	0.77	
Equity Japan Acc	Y111	117	
Equity Nordic	$1.39	1.47	+0.02
Equity UK	£1.20	1.27	-0.02
Equity Contl Europe	$1.39	1.47	+0.01
Equity Mediterranean	$1.00	1.06	+0.01
Equity North America	$1.80	1.90	
Bond Intl Acc	$11.09	11.43	+0.08
Bond DEM Acc	DM1.05	1.07	+0.01
Bond Dollar Acc	$1.25	1.27	+0.01
Bond Sweden Acc	SKr13.36	13.51	
High Income Acc	$1.55	1.61	+0.01
Ecu Idx Intl SICAV	$115.54	119.59	+0.65

Target International Fountain Fund

Global Managed	SFr2.49	-0.01
U K	SFr2.42	-0.01
Japan	SFr2.09	+0.03
Gold Shares	SFr0.96	
North American	SFr2.58	-0.05
Multicurrency Bond	SFr2.53	
North European	DM3.04	+0.01
Orient	SFr2.64	-0.03

Target International Ltd

Intl Growth Fd $22.92 24.189 +0.316

Templeton Worldwide Investments

Class A-1 $	$10.04	
Class A-2 $	$11.69	
Class A-3 $	$10.94	
Class B-1 $	$9.82	
Class B-2 $	$11.47	
Class A $	$11.02	
Class B $	$10.96	

Top Brand Fund Intl-SICAV (u)

Top Brand Fd Intl $15.34 16.111 +0.02 1.24

Inv Ad Warburg Asset Mngt London

Transworld Bond Trust

NAV $12.39 +0.12

US Pacific Stock Fund (u)

NAV $16.61

Unibank SA, Frontrunner I (u)

Equities 92	Ecu74.31
Global Bonds	DKr118.12
Global Bonds	DM111.76
Sterling Fund	£129.56
Scandinavian Bond	DKr115.71
Danish Bonds	DKr116.15

Unico Financial Services SA Lux

DG Investment Bank Ltd

Unico Invest. Fund	DM67.96	70.00	3.00
Unico Equity Fund	DM58.35	63.10	3.00

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (u)

41 Ave de la Gare, L-1611, Luxembourg 010 352 480061

LUXEMBOURG (REGULATED)(**)

Alliance Capital

	Bid Price	Offer Price	+ or -	Yield Gross
Global Bond Fund*	$11.92	-	+0.08	-
Global Gwth Trends Cl A	$10.85	11.57	+0.03	-
Global Gwth Trends Cl B	$10.83	10.83	+0.03	-
Global Leisure*	$12.82	-	+0.14	-
Health Care*	$55.92	-	+0.33	-
Intl Tech*	$25.07	-	-0.10	-
	$09.86	10.16	+0.02	7.74
Worldwide Income A2	$09.88	10.19	+0.02	
Worldwide Income B	$09.84	09.84	+0.02	7.23
Spanish Smlr Cos	$11.98			

*Offer price depends on jurisdiction

Asian Development Equity Fund

Portfolio A Dec 27	$21.86
Portfolio B Dec 30	$14.53

Atlantis Sicav

American Div Dec 31	$651.50
Am Dynamic Dec 31	$727.40
Far East Dec 31	Y36 009.00
	DM404.09
	DM577.17

Banque Ferrier Lullin (Lux) SA

FL Tx Switzerland SFr91.16

Banque Paribas Luxembourg

NKS Europe & Income	$10.67
Paribas Soleil	$6.57
Parimer Bond	$16.56

CB Fund International (u)

CB Fd Intl $15.19

CM Investment Serial Funds

Global Gwth NAV $9.37 -0.01

Capel-Cure Myers Intnl Fd Sicav (u)

Sterling Thinkers Bond	£9.44	9.74	
Sterling Thinkers Growth	£10.97	11.58	+0.01
US$ Thinkers Bond	$10.41	10.75	
US$ Thinkers Growth	$11.80	12.46	+0.05

Citicorp Investment Mgmt (Luxembourg) SA

$10.11 -0.03

Cedevalor (u)

Croissance US$	$1736.86
Rendement US$	$1743.76
Rendement SFr	SFr2035.84

Cortexa International (u)

Cortexa Intnl Fund $114.78

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ‡‡ Guernsey gross. ∂ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rate of NAV increase.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey – Financial Services Commission; Ireland – Central Bank of Ireland; Isle of Man – Financial Supervision Commission; Jersey – Commercial Relations Department; Luxembourg – Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains under pressure

THE DOLLAR remained under pressure on the foreign exchange markets yesterday, stabilising against the D-Mark but falling back against the Japanese yen before finding late support in London.

The focus on the yen/dollar exchange rate came as US President George Bush and Mr Nicholas Brady, US treasury secretary, arrived in Tokyo for talks with Japanese ministers.

Dealers commented that the two sides may agree a controlled devaluation of the dollar against the yen as a means of moderating the US trade deficit with Japan. Some analysts expect the authorities to target a rate of around Y120.

Against this background, the dollar slipped in Far Eastern trading, ending in Tokyo at Y123 from a Y124.05 close in London on Monday. During the Tokyo day the US currency fell below Y123 for the first time in three years.

In European trading the weak tone continued, with the dollar declining to Y122.75. But a late bout of profit-taking pushed the Japanese currency down and the dollar finished at Y124.35 in London, before dipping to Y123.90 in New York.

The yen/D-Mark exchange rate also attracted significant trading volume, with the German unit firming from Y81.68 to Y81.83 during the day.

The US currency was less volatile against the D-Mark, following a substantial fall on Monday. In Tokyo the dollar closed at DM1.5160, from a DM1.5190 close in London on Monday. In Europe the dollar tested technical support at DM1.5120 before rallying to end at DM1.5195 in London. In New York it fell to DM1.5065.

However, analysts are expecting the dollar to weaken further against the D-Mark and other European currencies later this week if economic statistics show the US economy to be weakening.

If weak non-farm employment figures are released on Friday and poor producer price inflation figures tomorrow, this could prompt a further easing of US monetary conditions and a flight of international funds out of US financial assets.

Elsewhere, sterling slipped further against the D-Mark but remained above its "floor" within the European exchange rate mechanism.

From a close of DM2.85 on Monday, sterling eased overnight in Tokyo to open at around DM2.8475 in London and then further softened to end at DM2.8450.

Analysts noted that sterling fell in line with its permitted lower limit against the D-Mark within the ERM. The floor moved from around DM2.8470 on Monday to DM2.8405 yesterday due to a weakening of the Spanish peseta, the strongest currency in the ERM.

As the permitted floor moved lower, currency traders could push the pound down without the risk of being caught by concerted central bank intervention.

Sterling also suffered from press reports that Mrs Margaret Thatcher, the former prime minister, is in favour of a devaluation of the UK currency within the ERM.

£ IN NEW YORK

Jan 7	Close	Previous Close
£ Spot	[illegible]	1.8823-1.8833
1 month	1.07-1.05pm	1.07-1.06pm
3 months	3.02-2.99pm	5.88-5.83pm
12 months	11.05-10.95p	10.95-10.0pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

Korea(Sth)	1417.20 - 1440.05	754.00 - 763.00
Kuwait	0.53110 - 0.53350	0.28430 - 0.28460
Luxembourg	58.35 - 58.45	31.15 - 31.25
Malaysia	5.0630 - 5.0715	2.7020 - 2.7040
Mexico	5757.45 - 5769.55	3070.00 - 3075.00
N Zealand	3.3855 - 3.3900	1.8060 - 1.8085
Saudi Ar	7.0115 - 7.0885	3.7495 - 3.7505
Singapore	3.0345 - 3.0415	1.6210 - 1.6230
S Af (Cm)	5.1225 - 5.1345	2.7380 - 2.7410
S Af (Fn)	5.8580 - 5.9505	3.1250 - 3.1745
Taiwan	48.15 - 48.25	25.70 - 25.75
U.A.E.	6.8655 - 6.9430	3.6715 - 3.6735

*Official rate. Floating rate £-2654 0 5-1420 0
Correction for Jan 6 S Af (Cm)$2 7345-2.7410

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.516	-3.08	5.97	53
Belgian Franc	42.4032	41.9514	-1.07	3.82	44
Dutch Guilder	2.31643	2.29472	-0.94	3.68	38
D-Mark	2.05586	2.03736	-0.90	3.64	47
Irish Punt	0.767417	0.766534	-0.12	2.83	-0
Italian Lira	1538.24	1539.22	0.06	2.66	-11
French Franc	6.89509	6.95575	0.88	1.82	-57
Danish Krone	7.84195	7.92265	1.03	1.66	-34
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 4⅞-4¾ per cent; three years 5¼-5⅛ per cent; four years 6⅛-6 per cent; five years 6⅛-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.7	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.873	2.845	232.8	9.718	2.528	3.203	2150	2.137	58.40	1.394
$	0.534	1	1.519	124.3	5.188	1.350	1.710	1148	1.141	31.18	0.744
DM	0.351	0.658	1	81.83	3.416	0.889	1.126	755.7	0.751	20.53	0.490
YEN	4.296	8.046	12.22	1000.	41.74	10.86	13.76	9235	9.180	250.9	5.988
F Fr.	1.029	1.927	2.926	239.6	10.	2.601	3.296	2212	2.199	60.09	1.434
S Fr.	0.396	0.741	1.125	92.09	3.844	1	1.267	850.5	0.845	23.10	0.551
N Fl.	0.312	0.585	0.888	72.68	3.034	0.789	1	671.2	0.667	18.23	0.435
Lira	0.465	0.871	1.323	108.3	4.520	1.176	1.490	1000.	0.994	27.16	0.648
C$	0.468	0.876	1.331	108.9	4.547	1.183	1.499	1006	1	27.33	0.652
B Fr.	1.712	3.207	4.872	398.6	16.64	4.329	5.485	3682	3.659	100.	2.387
Ecu	0.717	1.344	2.041	167.0	6.971	1.813	2.298	1542	1.533	41.89	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

THREE MONTH EURO SWISS FRANC
SFr 1m points of 100%

	Close	High	Low	Prev.
Mar	92.09	92.13	92.03	92.03
Jun	92.41	92.44	92.36	92.33
Sep	92.62	92.63	92.56	92.54
Dec	92.74	92.75	92.67	92.65

Estimated volume 3352 (2625)
Previous day's open int. 22823 (23031)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Mar	2522.0	2529.0	2505.0	2529.0
Jun	2536.0	2546.0	2546.0	2563.0
Sep				

Estimated volume [illegible]
Previous day's open int. 34626 (34059)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Mar	1110.0	1105.0	1105.0	1115.0
Jun				

Estimated volume 9 (0)
Previous day's open int. 128 (123)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8725	1.8621	1.8486	1.8134	1.7625

ECU BOND (MATIF)

March	109.30	109.16	+0.06	109.34	109.16	8.61	5,339

Estimated volume 5,044 Total Open Interest 5,339

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	2.59	-	-	0.11	-	-
107	1.73	-	-	0.24	0.36	-
108	1.01	2.08	-	0.52	-	-
109	0.50	1.48	-	1.01	0.98	-
Open Int.	126,780	15,541	400	88,620	12,882	150

Estimated volume 59,213 Total Open Interest 244,473

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant	
Co-operative Bank	10.5	Lloyds Bank	10.5	Banking & Securities Houses	
Coutts & Co	10.5	Meghraj Bank Ltd	10.5	Association.	

MONEY MARKETS

UK rates steady

MONEY market interest rates were steady in London yesterday, although liquidity remained in short supply and sterling drifted lower against the D-Mark on the foreign exchange markets.

The Bank of England forecast a liquidity shortage of £1.25bn early in the day, later revised down to £1.1bn. In an early round of assistance, the bank purchased band 1 and band 4 bills totalling £229m. In addition it purchased £84m paper for resale to the market on January 20 at 10⅞ per cent.

Later in the morning session, the bank injected a further £118m, buying band 1 bills at 10⅜ per cent, band 3 bills at 10⅜ per cent and band 4 bills at 10⅜ per cent.

In the afternoon, a further £303m band 1 and band 3 bills were purchased at the same rates. Late assistance totalled £205m, leaving total assistance for the day around £160m below the forecast liquidity shortage.

Unsecured overnight money was traded down to 10¾-⅞ per cent, below the 10¾-½ per cent level on Monday. The key three months inter-bank rate traded at 10¹³⁄₁₆-¹¹⁄₁₆ per cent.

The March short sterling futures contract on the London International Financial Futures Exchange closed at 89.37, against 89.32 on Monday, implying base rates of around 10.63 per cent by the spring.

In Frankfurt, call money rates were steady at around 9.5 per cent, a level which has held since the Bundesbank raised interest rates by ½ point on December 19.

Today a Bundesbank customer repurchase pact expires, draining DM33.2bn from the market at interest rates of between 9.20 and 9.25 per cent. However, analysts expected this shortage to be covered by a new repurchase agreement.

In Tokyo, the Bank of Japan again demonstrated its determination to prevent money market interest rates from falling too far following its ½ point cut in key interest rates last week. The bank recalled Y200bn loans to the banking system when overnight money rates dipped to 5⅝ per cent from Monday's 5⅝ per cent.

The action forced rates back up to 5¹¹⁄₁₆ per cent by the close, suggesting that the authorities will keep money market interest rates above 5 per cent for the foreseeable future. Today, analysts are expecting a liquidity shortage of around Y340bn, which the authorities may off-set in full if interest rates appear to be firm.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.7) 3 months US dollars		6 months US Dollars	
bid 4	offer 4⅛	bid 4	offer 4⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,741 Set by CINEPHILE

ACROSS
1 Have patient man to stay as a trick (3-2,3)
5 Medicine is a singular science (6)
9 Start and finish game with childhood friend (8)
10 Number of a horse? (6)
11 Spice for making endless curry item (8)
12 Way to desire is minimum clothing (6)
14 Ruminant with no crop? (6,4)
18 Study of hands, modifying aggro with holy quiet (10)
22 Having a go is vexatious (6)
23 Clipped beasts return to one with love (8)
24 Spotted little in quantity (6)
25 Striking oil in South American country's risky (8)
26 Buffer's set of games (6)
27 Superficial variety (refer to page without) (4,4)

DOWN
1 Dog got grub to metamorphose (6)
2 Work of nature for big brew (3,3)
3 Roman naval base (6)
4 Within reach of alien abbot (10)
6 Little house found: be in possession .... here? (4,4)
7 Unauthorised resident of fewer inches (8)
8 Truncate at back and sides? (3,5)
13 Escape to adorn part of carrier (6,4)
15 I get germ out of hourglass (3,5)
16 Girl with little follower, sister to essayist (4,4)
17 Silk makes bird sick in church (8)
19 Battle in court making more sound than .... (6)
20 .... word where parent takes part (6)
21 Chance of a pancake? (4-2)

Solution to Puzzle No.7,740

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

4:00 pm prices January 7

[illegible]

MONTREAL

4:00 pm prices January 7

[illegible]

Total Sales 13,873,186 shares

INDICES

NEW YORK

DOW JONES	Jan 7	Jan 6	Jan 3	Jan 2	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3204.83	3200.13	3201.48	3172.41	3204.83 (7/1/92)	2470.30 (9/1/91)	3204.83 (7/1/92)	41.22 (2/7/32)
Home Bonds	99.46	99.20	99.13	98.96	99.46 (7/1/92)	91.30 (16/1/91)	99.46 (7/1/92)	54.99 (1/10/81)
Transport	1383.03	1365.47	1358.71	1342.12	1383.03 (7/1/92)	894.30 (7/1/91)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.83	223.02	225.39	224.46	225.59 (3/1/92)	195.17 (10/7/91)	236.23 (2/1/90)	10.50 (8/4/32)

†Day's High 3224.73 (3230.32) Low 3165.25 (3166.59)

STANDARD AND POOR'S

	Jan 7	Jan 6	Jan 3	Jan 2	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.40	417.96	419.34	417.26	419.34 (3/1/92)	311.49 (9/1/91)	419.34 (3/1/92)	4.40 (1/6/32)
Industrials	493.46	494.06	495.78	493.26	495.78 (3/1/92)	364.90 (9/1/91)	495.78 (3/1/92)	3.62 (21/6/32)
Financial	34.40	34.40	34.24	34.04	34.40 (6/1/92)	21.96 (9/1/91)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.69	229.85	230.35	229.17	230.35 (3/1/92)	170.97 (9/1/91)	230.35 (3/1/92)	4.46 (25/4/42)
Amex Mkt. Value	401.71	399.27	398.63	395.51	401.71 (7/1/92)	296.72 (14/1/91)	401.71 (7/1/92)	29.31 (9/12/72)
NASDAQ Composite	602.29	597.90	592.55	586.45	602.29 (7/1/92)	355.75 (14/1/91)	602.29 (7/1/92)	54.87 (31/10/72)

	Jan 3	Dec 27	Dec 20	year ago (approx.)
Dow Industrial Div. Yield	2.98	2.99	3.13	4.02

	Dec 31	Dec 24	Dec 18	year ago (approx.)
S & P Industrial div. yield	2.55	2.68	2.78	3.31
S & P Ind. P/E ratio	25.35	24.21	23.24	15.92

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Glaxo	5,306,100	34	+ 2
RJR Nabisco	4,833,800	11	+ ⅛
Wendy's	3,183,900	11⅛	+ 1
Eds Inc	3,080,000	56⅝	- 2⅛
Amer T & T	2,925,500	40⅜	+ ⅜
Westinghouse	2,860,800	19⅛	- ⅛
Compaq Comp	2,843,600	33⅞	+ 3
Amer Express	2,322,200	21⅞	- ⅛
Unisys Corp	2,130,900	5	+ ⅛
IBM	1,961,200	94⅛	+ 2½

TRADING ACTIVITY

† Volume (Millions)	Jan 7	Jan 6	Jan 3
New York SE	251.280	241.980	219.170
Amex	19.536	19.033	19.671
NASDAQ	(a)	237.723	214.203
NYSE			
Issues Traded	2,235	2,233	2,191
Rises	919	1,048	1,084
Falls	873	791	650
Unchanged	443	394	457
New Highs	189	226	181
New Lows	6	3	6

CANADA

TORONTO	Jan 7	Jan 6	Jan 3	Jan 2	1991/92 HIGH	1991/92 LOW
Metals & Minerals	2937.61	2943.65	2982.27	2935.22	3299.99 (18/7/91)	2632.06 (9/1/91)
Composite	3512.90	3524.77	3517.47	3493.66	3604.09 (12/11/91)	3161.95 (15/1/91)
MONTREAL Portfolio	1860.24	1865.08	1866.44	1856.55	1907.35 (12/11/91)	1686.89 (9/1/91)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable.

	Jan 7	Jan 6	Jan 3	Jan 2	1991/92 HIGH	1991/92 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1667.7	1675.1	1659.7	1647.9	1696.3 (8/11/91)	1204.5 (16/1/91)
All Mining (1/1/80)	669.2	673.8	668.7	660.3	707.2 (24/7/91)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	385.25	(c)	377.92	372.24	534.81 (16/4/91)	372.24 (2/1/92)
BELGIUM						
BEL20 (1/1/91)	1106.81	1104.58	1103.10	1108.46	1212.15 (17/4/91)	917.59 (17/1/91)
DENMARK						
Copenhagen SE (3/1/83)	358.66	357.34	356.44	354.57	380.04 (28/8/91)	302.26 (8/1/91)
FINLAND						
HEX General (28/12/90)	792.0	(c)	782.3	779.0	1186.9 (8/4/91)	765.2 (23/12/91)
FRANCE						
CAC General (31/12/81)	484.10	485.53	476.98	475.53	503.51 (15/11/91)	394.88 (15/1/91)
CAC 40 (31/12/87)	1778.73	1787.57	1770.30	1749.91	1887.29 (1/10/91)	1425.26 (15/1/91)
GERMANY						
FAZ Aktien (31/12/58)	648.88	652.60	653.19	651.92	717.43 (17/6/91)	570.48 (15/1/91)
Commerzbank (1/12/53)	1830.2	1840.4	1840.6	1838.4	2035.2 (31/5/91)	1612.5 (15/1/91)
DAX (30/12/87)	1592.48	1603.32	1603.62	1601.88	1715.80 (31/5/91)	1311.82 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	4347.93	4306.97	4307.13	4301.78	4347.93 (7/1/92)	2984.01 (16/1/91)
IRELAND						
ISEQ Overall (4/1/88)	1398.87	1404.58	1402.29	1404.72	1520.66 (15/3/91)	1114.85 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	514.29	(c)	507.81	507.43	619.38 (3/6/91)	482.89 (18/12/91)
JAPAN						
Nikkei (16/5/49)	23566.39	23801.18	(c)	(c)	27146.91 (18/3/91)	21456.76 (19/8/91)
Tokyo SE (Topix) (4/1/68)	1746.67	1763.43	(c)	(c)	2028.85 (18/3/91)	1625.00 (17/1/91)
2nd Section (4/1/68)	2457.78	2459.85	(c)	(c)	3423.45 (18/5/91)	2424.50 (27/12/91)
MALAYSIA						
KLSE Composite (4/4/86)	555.66	557.34	552.99	552.16	635.02 (29/5/91)	470.41 (16/1/91)
NETHERLANDS						
CBS Tr.Rtn.Gen.(End 1983)	275.3	277.5	279.1	277.7	284.8 (5/6/91)	221.4 (16/1/91)
CBS All Shr (End 1983)	193.4	194.9	196.0	195.0	201.1 (5/6/91)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	696.47	700.09	691.94	678.99	793.53 (26/8/91)	595.77 (2/12/91)
PHILIPPINES						
Manila Comp (2/1/85)	1241.48	1231.24	1201.16	1172.78	1241.48 (7/1/92)	382.64 (10/1/91)
SINGAPORE						
SES All-Singapore (2/4/75)	408.69	407.81	402.07	401.19	422.43 (26/4/91)	315.07 (16/1/91)
SOUTH AFRICA						
JSE Gold (28/9/78)	1162.0	1148.0	1143.0	1119.0	1469.0 (5/7/91)	971.0 (25/2/91)
JSE Industrial (28/9/78)	4273.0	4256.0	4175.0	4169.0	4364.0 (13/11/91)	2829.0 (16/1/91)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	641.27	650.10	624.23	(c)	763.10 (6/8/91)	586.51 (23/12/91)
SPAIN						
Madrid SE (30/12/85)	246.66	(c)	243.66	238.93	289.22 (18/3/91)	213.70 (14/1/91)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	938.3	(c)	921.50	913.7	1149.8 (11/7/91)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	790.1	794.6	749.7	(c)	769.3 (14/11/91)	590.4 (14/1/91)
SBC General (1/4/87)	603.0	607.2	605.4	(c)	638.0 (31/5/91)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	4738.80	4692.17	(c)	(c)	6305.22 (9/5/91)	3316.26 (15/1/91)
THAILAND						
Bangkok SET (30/4/75)	728.93	719.80	711.81	712.02	908.13 (19/4/91)	582.48 (16/1/91)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	543.5*	541.5	536.2	535.8	541.5 (6/1/92)	439.1 (16/1/91)

** Saturday January 4: Taiwan Weighted Price: (c); Korea Comp Ex. (c).
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, 7 January 1992

	Stocks Traded	Closing Prices	Change on day
Asahi Corp	7.2	780	+41
Cosmo Oil	6.6	887	+45
Penta-Ocean	4.2	1,080	-30
Toyo Const	3.7	815	0
Toyo Ink	3.6	890	+60
Osaka Gas	3.2	535	-7
Tas Harb'r Wks	3.1	981	-15
Nippon Carbon	2.5	1,880	+230
Daito Kogyo	2.4	922	-
Nippon Steel	2.4	380	-3

4:00 pm prices January 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.6	14	570	13⅛	12¾	13⅛	+⅛
24⅜	14½	A L Labs A	0.16	0.7	25	480	23⅞	23	23	-⅛
60	40⅞	AMP Inc	1.44	2.4	23	2443	59½	58⅞	59⅜	+⅛
71	44¼	AMR			14	10707	u75½	72⅛	75	+2⅛
2⅜	1	ARX			1	53	1⅛	1⅛	1⅛	-⅛
56	41½	ASA	3.00	6.4	13	215	47⅜	46⅞	47	-¼
69½	39¼	Abbott Lab x	1.00	1.5	27	3589	68	67¼	67⅞	-¼
14⅝	9⅞	Abitibi Pr x	0.50	4.0	76	7	12⅜	12⅜	12½	
11⅝	10⅜	ACM Gvt In x	0.72	6.3		613	11½	11⅛	11½	-⅛
9⅞	8¼	ACM GvOpp x	1.01	9.8		297	u10⅜	9⅞	10⅛	+½
9½	8¼	ACM Gvt Sp r	0.17	1.8		866	9⅜	9⅛	9⅜	+⅛
11	9⅞	ACM Gvt Se	1.28	11.4		609	u11	10⅞	11	+⅛
9⅛	7⅝	ACM Man x	0.47	5.2		253	u9⅛	9	9	-⅛
12⅞	11½	ACM Mangd x	1.35	10.6		192	12¾	12⅝	12¾	
7½	4¼	Acme Cleve	0.40	5.2	17	205	u7⅝	7⅜	7⅝	+¼
8	3⅛	Acme Elect			3	5	4¼	4¼	4¼	
40	22¼	Acuson			21	4242	32⅞	31½	32⅞	+1⅛
20¼	14¼	Adams Expr	1.63	8.6	0	91	19	18⅞	19	+⅛
20⅛	12⅞	Adobe12Pt	2.40	17.6		37	13⅞	13⅝	13⅝	-⅜
9¼	3⅞	Adobe Res			44	1776	4⅝	4½	4½	-¼
43	18	Ad Micro				173	u46	44½	45¾	+½
17¾	4⅝	Ad Micro P	3.00	15.1	99	1032	u19⅞	18¾	19⅞	+⅝
5¼	2¼	Advest Grp	0.16	2.8	8	176	u5⅞	5¾	5¾	
48⅛	31⅞	Aetna Lf x	2.76	6.4	82	112	43⅜	42¾	43	
10⅝	6⅝	Affil A x	u.24	2.6	65	560	9⅜	9⅛	9⅜	+⅛
0	0	Aflacn				z0	u0	d0	31⅜	+⅛
20⅞	12	Ahmanson	0.88	5.3	10	1358	16⅞	16⅛	16⅝	-⅛
20	2⅞	Aileen Inc			16	218	19⅛	18¾	19⅛	+⅜

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
9⅝	6¼	ZenithElec				21639	6⅞	7⅝	8	+⅛
15½	12	Zenith Nat x	1.00	6.2	133	653	16⅛	16	16	−⅛
6⅝	4½	Zenix Inc	0.64	13.2		109	u6⅞	6⅛	6⅜	+⅛
16¾	10	Zero Corp	0.40	3.4	16	122	11⅞	11⅝	11⅝	−⅛
41½	28½	Zurn Ind	0.88	2.4	14	415	36⅝	35⅞	36⅛	−⅞
13⅞	10¼	Zweig Fund x	1.16	8.4		347	u13⅞	13⅝	13⅞	+⅛
10⅞	8½	Zweig Tel x	0 16	8.8		780	u11	10⅝	10⅞	−⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Sales figures are unofficial. Yearly highs and lows currently reflect the whole of 1991. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices January 7

NASDAQ NATIONAL MARKET

4:00 pm prices January 7

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	2913	25	24	24½	+¼
XL Data		31	89	10½	10⅛	10⅛	
Xenia Corp		13	6601	22⅞	20¾	22⅞	+1⅛
Yellow Fr	0.94	19	1164	27½	25⅞	27⅞	+1⅛
York Rsch		60	4532	7⅞	6⅞	7¼	
Zionutah x	1.44	8	520	41⅞	40	40	−1

AMERICA

Blue chips consolidate gains but Dow registers new high

Wall Street

ALTHOUGH secondary stocks powered to new highs yesterday, there was little movement in the broader market, where share prices were mixed as investors consolidated some of the big gains earned during the recent rally, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 4.70 at 3,204.83, a new record for the index. The more broadly based Standard & Poor's 500 finished down 0.56 at 417.40, but the Nasdaq composite of over-the-counter stocks reached yet another all-time peak, finishing 4.39 higher at 602.29. Turnover on the New York SE totalled 253m shares.

The Dow has risen almost 300 points in the past two weeks, so it came as no surprise when the rally ran out of steam in the first two days of this week. As for whether the impressive winning streak had been broken completely or just interrupted, the balance of opinion among analysts was that further, if less spectacular, gains would be made over the coming weeks. Meanwhile, demand for secondary, growth-oriented, stocks showed no signs of abating.

Compaq moved ahead $3 to $34 in active trading after the computer group said worldwide orders for its portable 486C personal computer had exceeded expectations. This rare piece of good news from the computer industry lifted others in the sector, with IBM climbing $2⅝ to $94⅝ and Digital Equipment adding $1⅛ at $60⅛.

Sbarro jumped $5⅝, or 14 per cent, to $44¼ on the American Stock Exchange after Morgan Stanley, the broking house, upgraded its rating on the stock and put the Italian restaurant chain on its list of recommended growth stocks.

Sears slipped $¼ to $38¼ after the giant stores group announced that it was cutting 7,000 jobs from its workforce, although the company said the plan would not involve any lay-offs.

Gap, one of the few successful retailers during the recession, fell $2⅛ to $56⅛ after Goldman Sachs was reported to have crossed a block of 1.9m shares at a price of $56⅜.

On the over-the-counter market, Bioplasty declined $⅞ to $4⅝ in a delayed reaction to Monday's decision by the Food and Drug Administration to urge doctors to stop using silicone breast implants until new information on their safety was assessed. Bioplasty is one of the main producers of the implants, as is Mentor which, after falling sharply on Monday, actually rose $⅛ to $12⅜.

DNA Plant Technology soared $4 to $8¼ on news of a venture with Du Pont which is supplying a new form of Canola oil to the snack food business of Anheuser-Busch.

Canada

TORONTO declined in moderate trading, with gold stocks leading the way. The composite index ended 11.8 off at 3,512.9 and falls held an edge over rises by 316 to 297. Volume came to 27.4m shares, up from Monday's 23m.

Ten of 14 stock groups closed lower, with the gold group down 1.6 per cent. Placer Dome, the most heavily weighted stock in the group, dipped C$⅛ to C$11⅛. The pipelines group had the day's biggest increase, 1.6 per cent.

Silcorp "A" jumped 50 cents to C$2.50. The company said it has agreed to sell its Quebec convenience store assets to Alimentation Couche-Tard Inc for an undisclosed sum.

Merrill sees Dow 1992 peak of 3,400

WALL STREET'S momentum is so great, said Merrill Lynch's chief market analyst Mr Robert Farrell yesterday, that the current phase of "urgent buying" may well last until early February, even though the US market is overvalued, writes Peter Martin.

Mr Farrell, speaking in London, said that one interpretation of the current "stampede" is that it is a "classic blow-off" to a 15-year bull market. If that is so, the market might go up a lot but could lead to a bear market in 1993-94 rather like that seen in 1973-74.

From March to November last year, the US market saw a continued strong performance from growth companies such as the biotechnology industry, which offset weakness in cyclical capital goods and technology companies.

The market's recent rise has been across the board. However, Mr Farrell said that the economic conditions which favour growth stocks do not favour cyclicals, and vice versa, so "it seems safe to assume that both groups cannot do well together in 1992 once the present stampede ends".

Changing economic conditions could lead to a better relative, and perhaps absolute, performance by cyclical stocks, he added. Such a scenario would limit the market's upside in 1992, to perhaps 3,400 on the Dow, with greater volatility than last year.

ASIA PACIFIC

Profit-taking causes Nikkei to retreat in quiet trading

Tokyo

PROFIT-TAKING pushed the Nikkei average back in quiet trading yesterday after Monday's 3.6 per cent gain, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 334.79 off at 23,566.39, after a high in the morning of 23,901.89 and a low of 23,514.28. Volume came to 220m shares, against 180m in Monday's half-day session.

Declines led rises by 631 to 306, with 143 issues unchanged. The Topix index of all first section stocks lost 16.76 to 1,746.67 and, in London, the ISE/Nikkei 50 index shed 3.39 to 1,322.35.

A stronger yen and lower bond yields failed to encourage investors. Hopes that the fall in short-term interest rates would prompt domestic institutions to shift funds into the stock market were not realised.

A fund manager at Dai-Ichi Life said most institutional investors would find it hard to increase their equity holdings before they closed their books in March.

However, Mr Craig Chudler, strategist at UBS Phillips & Drew, said last month's discount rate cut by the Bank of Japan had triggered a significant change in the interest rate structure. "The decline in rates on postal deposits, the sharp fall in the overnight call rate and the bond market rally will prompt a gradual shift of funds into stocks," he added.

Interest rate-sensitive issues, which had gained ground during the past two trading days, receded on profit-taking. Tokyo Electric Power lost Y70 to Y3,630 on institutional selling.

Speculative stocks were higher on short-term trading by dealers. Nippon Carbon surged Y230 to Y1,890 on short-covering. The stock has plunged recently on margin selling, falling over 50 per cent from its record high of Y3,450 set in mid-December. Toyo Ink gained Y50 to Y890.

In Osaka, the OSE average declined 144.90 to 24,742.37 in 8.5m share volume. Export related issues fell on small-lot selling. Shimano, the bicycle parts maker, lost Y70 to Y2,020.

Roundup

TOKYO'S fall on profit-taking encouraged investors to do likewise in the Pacific Rim, though Hong Kong managed to close at a new high.

HONG KONG resumed its record-breaking advance after Monday's pause, in spite of a wave of selling which brought prices off their afternoon peaks. The Hang Seng index registered a closing all-time high of 4,347.93, up 40.96. Turnover expanded to HK$1.41bn from HK$1.22bn.

Jardine Matheson Holdings rose HK$1.25 to HK$40.25, while Hutchison Whampoa gained 40 cents to HK$14.90 on rumours that it might float its telecommunications division.

AUSTRALIA was disappointed when the central bank did not ease interest rates. The All Ordinaries index ended down 7.5 at 1,667.6 in steady turnover of A$195m. BHP, which rose on oil exploration speculation on Monday, slipped 10 cents to A$13.90.

NEW ZEALAND declined in thin trading as a jump in the local dollar prompted profit-taking. The NZSE-40 index ended 29.34 or 1.9 per cent lower at 1,506.52. Turnover fell to NZ$13.7m from NZ$25.5m.

TAIWAN continued to rise on hopes of lower interest rates. The weighted index gained 28.64 to 4,718.81. Turnover was T$35.13bn (T$33.88bn).

MANILA rebounded after some intraday profit-taking. The composite index rose 10.24 to 1,241.48, the highest since November 1989, as turnover fell to 80m pesos from 93m.

The listing of the electric distribution monopoly, the Manila Electric Co, is due today.

SEOUL ended weaker on profit-taking in securities and large manufacturing shares. The composite index was down 4.83 to 645.27 in turnover of Won482.8bn, after Won440.2bn.

BANGKOK sold banks after Monday's gains, and turned to construction blue chips. Siam Cement hit its 10 per cent ceiling on foreign buying, closing Bt54 higher at Bt632. The SET index ended 9.43 up at 728.93 in turnover of Bt4.78bn.

Asset allocators explore the bond markets

US and Japanese interest rate cuts have led to second thoughts, says Richard Waters

Fund managers returning to work this week have been presented with a conundrum. Traditionally, the new year prompts a reassessment of investment weightings. It is a time when asset allocators come into their own, determining the relative weightings of equities, bonds, property and other investments in their portfolios.

With the US and Japan lowering short-term interest rates at the tail-end of the old year, however, many of the strategy reviews undertaken in the closing weeks of 1991 already look out of date. In particular, the rise in share prices has already removed some of the attraction from equity markets which may have seemed cheap in historic terms.

That "cheapness" is most commonly expressed in terms of the ratio of bond yields to those on equities. For most major economies, that ratio was close to or below its average for the last decade as 1991 drew to a close, appearing to suggest that there was room for share prices to rise, according to research from Smith New Court, the UK securities house.

After the severe volatility in the US and the UK in 1987, which had seen yield ratios climb way out of line with historic norms before plunging sharply in the stock market crash, the ratio had continued to move lower in the following years. The UK, in particular, with a ratio below 2.0, looked undervalued compared to recent years. Similar sharp falls had been seen in Japan and Germany since early 1990, as interest rates moved up in anticipation of the inflationary threat in both countries.

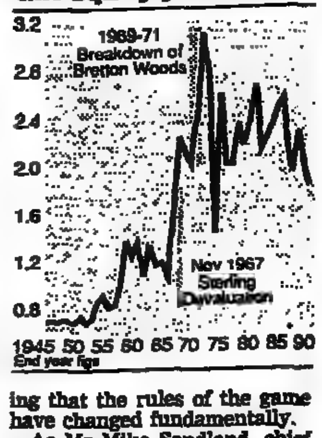
But recent historic parallels may be of little relevance in the years ahead. Most investors are betting on the fact that inflation has been licked in the major economies for the time being, and is set to fall in the coming 12 months. That view holds particularly for the European Community, where Germany's pre-Christmas rate rise seems to have set the tone for a low-growth, low-inflation period ahead. Against that background, yield ratios could be set to fall to a new range.

The chart, showing the bond/equity yield ratio for the UK, illustrates how the ratio moved into a new range in the 1970s as inflation took hold and the Bretton Woods fixed exchange rate system broke down (being based on year-end figures, it does not show the sharp rise and fall during 1987). If investors believe in low inflation ahead, the ratio could fall back to pre-1970 levels, suggesting a return to a greater degree of fixed income investment, argues Mr Peter Lyon of Smith New Court.

That argument, expressed in different forms, has been the dominant theme in many recent investment analyses. The strongest opponent of this theory is Mr Sushil Wadhwani of Goldman Sachs, who argues that the yield ratio does not generally move with inflation, in spite of the 1970s experience.

This is a minority view, however, and the consensus points to a greater interest in bond markets – although investment managers are not arguing that the rules of the game have changed fundamentally.

Gilt equity yield ratio



As Mr Mike Sandland, chief investment manager of Norwich Union, the UK insurer which has caused a stir in recent weeks with its declared switching into bonds, says: "We would still accept that, over the longer term, equities must outperform fixed-income investments."

Norwich Union's rebalancing of its portfolio to correct an under-investment in fixed income assets has been made on the assumption that the equity returns of the 1980s will not be repeated. "It is too simplistic to talk about the 1990s against the 1980s," says Mr Sandland. "But by the end of the century, the 1980s will be seen as an eccentric decade for equity returns." He adds: "Our view is that over the next couple of years or so, returns on bonds and equities are likely to be roughly similar."

Investment houses sold on the attraction of equities agree that bond markets are set for a sustained rally. As Warburg Securities points out, falling inflation, adequate fiscal discipline and the scope for falls in real bond yields, particularly in Europe later in the year, all point to good returns. But Warburg adds: "To bet against equities is taking a very serious bet against history." Even in the low-growth, low-inflation late 1950s, equities outperformed bonds comfortably. It would take a severe change of circumstances to shift many fund managers from this view.

EUROPE

Paris eases back in light continental volume

TURNOVER remained light on the Continent as investors considered their options for 1992, *writes Our Markets Staff.*

PARIS ran into profit-taking after its Christmas rally but ended off the day's lowest level. The CAC 40 index went as low as 1,771.83 before closing 8.84 down at 1,778.73. Turnover was estimated at FFr1.65bn after Monday's FFr1.75bn. Foreigners were conspicuous by their absence.

Euro Disney was one of the day's most active stocks, falling FFr3 to FFr146 with 625,100 shares traded, on active profit-taking after its recent rise. However, brokers were still positive on the stock. SG Warburg has issued a "buy" note on the Euro Disney convertible.

Oil and engineering shares were also lower, with Total losing FFr25 to 1,017 and Alcatel down FFr11 to FFr554.

FRANKFURT again found itself with nothing to bite on and the DAX index fell 10.87 to 1,592.45 after a 3.72 decline to 648.88 in the FAZ at midsession. Volume rose from DM3bn to DM3.5bn.

Dealers said that after a limited acknowledgment of the spurt on Wall Street, which helped holders of German shares adjust to year-end capital gains tax positions, the market was reverting to normal – which, said one, would mean it would follow the Dow on the downgrade much more comfortably than it had done in the recent rally.

There was price movement in carmakers where Daimler fell DM9 to DM741 and Porsche put on DM8.50 to DM576 on the recent weakness of the dollar. VW dropped another DM6 to DM292, leaving it DM14.60 lower over the last three sessions. Most of the decline has followed the weekend revelation that output of VW's Golf model is likely to have fallen by 100,000 units last year, due to the change-over to a new design.

MILAN saw some interest in banking and telecommunications stocks but trading was thin despite the return of traders and fund managers from holiday. The Comit index rose 6.48 to 514.29 in turnover estimated at not more than Friday's L46.2bn. The bourse was closed yesterday.

Trading was hampered by the teething problems of the new trading houses or Sims which came into operation at the start of this year. Italian investment fund data for December were hardly encouraging, with both equity and mixed funds continuing to suffer from redemptions.

Mediobanca, which has been recommended as a "buy" by Goldman Sachs, rose L480 to L14,200. The broker expects the bank's earnings to grow by 23 per cent in 1992 after a 5 per cent decline in 1991. Among telecoms, Stet rose L70 to L2,170.

AMSTERDAM ended a dull session mixed to easier. The CBS Tendency index closed at 113.4, down 0.2 on the day.

The trading company Hagemeyer added Fl 3 to Fl 126.50 in response to the company's New Year message that there would be a big rise in 1991 earnings per share from 1990's Fl 12.59. Wessanen added Fl 1.50 to Fl 82.50 after the company said that 1991 earnings per share are likely to be 16 per cent higher than in 1990.

ZURICH ended above its lows as the Crédit Suisse index fell 3.9 to 455.7, and turnover to pre-holiday levels. Industrials stayed in focus with the watchmaker, SMH, bucking the trend, its certificates closing SFr20 better at SFr700.

MADRID saw the general index 3.03 higher at 246.68. Banks and utilities led the uptrend in volume of around Pta12bn against Pta8bn last Friday.

STOCKHOLM produced a spike in turnover, which rocketed from SKr251m to an all-time high of SKr1.26bn. This was attributed to Sandvik's sale of its entire 10.1 per cent stake in Investment AB Bahco to the holding company Industrivärden.

The Affärsvärlden General index closed 6.8 higher at 928.3. Bahco unrestricted B shares closed at SKr275, in line with the sweetened bid made by Industrivärden for all outstanding Bahco Bs.

COPENHAGEN continued its modest, but consistent uptrend with the CSE index 1.32 higher at 358.66 and the biotech favourite, Novo Nordisk, among the leaders with a DKr8 rise to DKr636.

OSLO slid on profit-taking, the all-share index closing 1.92 lower at 430.95, reflecting declines in the industry and shipping indices and another minor recovery in banks.

VIENNA rose in lively trading as domestic and foreign investors picked up bargains after the sustained decline in the latter part of 1991. The ATX index jumped 20.72 or 2.3 per cent to 922.36.

BRUSSELS continued to focus on retailers. GIB rose BFr30 to BFr1,232 with a heavy 68,800 shares traded following the sale of its 50 per cent stake in a chain of pizza restaurants in Belgium and Holland. Delhaize eased BFr20 to BFr6,630. The Bel-20 index closed 1.48 higher at 1,106.01 in turnover of BFr698m.

FT-SE Eurotrack 100 - Jan 7

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1087.90	1087.77	1087.49	1087.14	1086.02	1086.76	1086.22	1086.06

Day's High 1088.32 Day's Low 1085.62

Jan 6	Jan 3	Jan 2	Dec 31	Dec 30
1092.05	1087.01	1078.19	1079.41†	1085.54

Base value 1000 (26/10/90). † Partial.

SOUTH AFRICA

INDUSTRIALS built on Monday's gains, the index adding 17 to 4,273. The all-gold index closed at 1,162, up 14 and the overall index added 14 to 3,493. De Beers ended 75 cents firmer at R91.75 but off an early high of R92.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 7 1992								MONDAY JANUARY 6 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	151.64	-1.3	120.07	119.20	119.80	133.19	-0.5	4.17	153.68	121.39	120.51	121.37	133.80	160.31	112.74	114.07
Austria (20)	171.15	+1.5	135.51	134.54	135.21	135.07	+1.6	2.14	168.61	133.15	132.22	133.16	132.91	222.37	153.86	160.54
Belgium (47)	145.11	-0.1	114.89	114.05	114.63	111.65	-0.4	5.31	145.19	114.68	113.84	114.66	112.07	151.20	118.04	125.56
Canada (115)	137.87	-0.2	109.16	108.37	108.91	114.01	-0.4	3.22	138.20	109.16	108.36	109.13	114.43	144.28	126.49	127.95
Denmark (37)	273.94	+0.5	216.90	215.33	216.41	220.20	+0.6	1.62	272.49	215.23	213.67	215.19	218.84	273.94	217.74	217.74
Finland (15)	81.71	+2.0	64.69	64.23	64.55	70.70	+2.1	3.45	80.13	63.29	62.83	63.25	69.24	125.15	73.32	93.00
France (109)	151.34	-0.7	119.82	118.95	119.54	123.21	-0.5	3.60	152.33	120.32	119.44	120.29	123.84	152.33	119.11	127.81
Germany (65)	118.77	-0.6	94.04	93.37	93.82	93.82	-0.5	2.46	119.44	94.34	93.67	94.32	94.32	125.35	94.15	108.06
Hong Kong (55)	179.04	+1.0	141.76	140.73	141.44	178.21	+1.0	4.18	177.22	139.98	138.97	139.96	176.46	179.04	119.62	121.18
Ireland (18)	170.68	-0.7	135.14	134.17	134.84	137.47	-0.5	3.65	171.85	135.74	134.76	135.71	138.21	182.46	132.88	137.73
Italy (77)	76.58	+1.3	60.63	60.19	60.49	65.65	+1.5	3.53	75.56	59.69	59.25	59.67	64.70	88.23	64.78	78.63
Japan (474)	139.20	-1.2	110.22	109.42	109.98	109.42	-1.0	0.76	140.95	111.33	110.53	111.33	110.53	148.97	118.23	120.54
Malaysia (68)	215.94	+0.1	170.98	169.73	170.58	224.80	-0.1	2.91	215.69	170.37	169.13	170.33	225.12	247.78	188.18	199.90
Mexico (18)	1410.26	-0.5	1116.60	1108.52	1114.09	4737.51	-0.5	1.10	1417.36	1119.63	1111.41	1119.33	4761.35	1417.36	534.45	565.84
Netherland (31)	154.14	-0.8	122.04	121.16	121.77	120.37	-0.8	4.49	155.45	122.79	121.89	122.77	121.40	155.45	125.70	129.39
New Zealand (14)	47.86	-1.4	37.90	37.63	37.81	45.93	-2.3	5.96	48.52	38.33	38.05	38.32	47.00	54.64	41.18	43.11
Norway (25)	186.44	-1.1	147.62	146.55	147.29	151.33	-1.1	1.71	188.54	148.92	147.84	148.90	152.97	223.24	157.08	190.43
Singapore (38)	223.53	+0.4	176.98	175.70	176.58	167.08	+0.3	2.09	222.61	175.84	174.56	175.80	166.60	223.53	151.63	155.28
South Africa (61)	255.43	+0.7	202.24	200.77	201.78	175.85	+0.7	2.80	253.70	200.39	198.93	200.35	174.66	271.99	173.00	182.45
Spain (52)	156.54	+0.4	123.95	123.05	123.67	114.74	+0.7	4.81	155.90	123.14	122.25	123.11	113.91	171.12	131.51	135.58
Sweden (25)	183.85	+1.0	145.57	144.52	145.24	150.78	+1.1	2.96	181.99	143.75	142.71	143.73	149.12	204.12	146.60	146.60
Switzerland (59)	102.85	-0.6	81.44	80.85	81.26	86.08	-0.5	2.32	103.50	81.76	81.17	81.75	86.53	103.50	82.17	84.48
United Kingdom (234)	185.10	-0.6	146.56	145.49	146.22	146.56	-0.4	5.08	186.29	147.14	146.06	147.10	147.14	187.44	156.27	160.15
USA (523)	170.13	-0.1	134.70	133.73	134.40	170.13	-0.1	2.88	170.29	134.51	133.54	134.49	170.29	170.89	125.95	127.28
Europe (814)	148.62	-0.4	117.67	116.82	117.41	118.19	-0.3	4.07	149.23	117.87	117.02	117.86	118.50	151.52	125.50	128.34
Nordic (102)	188.15	+0.6	148.97	147.89	148.63	147.36	+0.6	2.20	187.09	147.77	146.70	147.75	146.41	200.81	155.55	155.55
Pacific Basin (718)	140.35	-1.1	111.12	110.32	110.88	111.93	-0.9	1.09	141.97	112.14	111.33	112.12	112.95	146.92	117.86	120.01
Euro-Pacific (1532)	143.99	-0.8	114.01	113.17	113.74	115.22	-0.6	2.32	145.21	114.70	113.86	114.67	115.96	147.66	121.29	124.14
North America (638)	168.07	-0.1	133.08	132.13	132.80	166.30	-0.1	2.88	168.24	132.89	131.94	132.88	166.48	168.57	125.91	127.21
Europe Ex. UK (580)	126.64	-0.2	100.27	99.56	100.06	101.84	-0.2	3.34	126.95	100.27	99.56	100.27	102.00	128.80	103.58	110.80
Pacific Ex. Japan (244)	151.64	-0.2	120.06	119.21	119.80	135.83	+0.0	3.92	151.97	120.04	119.18	120.03	135.76	153.19	111.40	113.13
World Ex. US (1726)	145.75	-0.8	115.40	114.57	115.15	116.94	-0.6	2.34	146.91	116.04	115.21	116.02	117.65	148.16	122.32	125.09
World Ex. UK (2015)	149.80	-0.5	118.61	117.75	118.35	132.04	-0.4	2.25	150.58	118.94	118.08	118.93	132.59	150.58	120.06	121.40
World Ex. So. Af. (2188)	152.22	-0.5	120.52	119.66	120.26	133.07	-0.4	2.54	153.05	120.89	120.03	120.88	133.64	153.05	122.92	124.49
World Ex. Japan (1775)	161.57	-0.2	127.93	127.01	127.66	146.65	-0.1	3.34	161.90	127.88	126.97	127.88	147.06	161.90	128.69	128.31
The World Index (2249)	*152.88*	*-0.5*	*121.05*	*120.18*	*120.78*	*133.45*	*-0.4*	2.54	153.70	121.40	120.52	121.39	134.01	153.70	123.28	124.84

FINANCIAL TIMES SURVEY

KENYA

SECTION III

Wednesday January 8 1992

Nairobi National Park: increasing importance has been given to better animal management following a long period of poaching and inefficiency between 1976-88

A lapsed African role model

A new era dawns in Kenya with the re-introduction of multi-party politics, writes Michael Holman. Whoever wins the forthcoming general election will have to take tough economic measures under the watchful eye of donors who have linked aid to good government

THESE ARE momentous times for Kenya as it embarks on the difficult path to democracy.

Moving from one-party rule to multi-party government is difficult enough in Africa, where tribal allegiances still run deep, but making this change while committed to painful economic reforms is a challenge indeed, as leaders in Nigeria, Ghana, Zambia and elsewhere will testify.

With marked reluctance, President Daniel arap Moi last month joined this group, ushering in what Kenyans hope will be a new era for a country whose reputation has been damaged in recent years.

Bowing to pressure at home, and responding to a blunt demand by external aid donors for speedier social and economic reform, Mr Moi lifted the ban on opposition parties to the palpable relief and delight of most Kenyans.

In the next few months the country goes to the polls. It will be a watershed: for the first time since Kenya became *a de facto* one-party state in 1966, the ruling Kenya African National Union (Kanu) will face competition.

The opposition line-up is still taking shape, but it is clear that the Kanu government, already weakened by resignations and scandal, has a battle on its hands. The Forum for the Restoration of Democracy (Ford), a broad-based coalition is led by Mr Oginga Odinga, the former vice-president. With senior officials coming from all three main tribes — Kikuyu, Luo and Luhya — it poses the main challenge.

Mr Mwai Kibaki, a former vice-president, a prominent Kikuyu, and one of five ministers and deputy ministers to resign in the past month, leads the other newly-formed Democratic Party, but may have difficulties disassociating himself from a Kanu legacy of mixed achievements.

The run-up to the poll could prove a demanding period should feelings run high. Continuing defections from Kanu would further undermine the authority of a government evidently unpopular in Nairobi, whatever the support it may enjoy elsewhere. At the same time, multi-party politics could exacerbate the tribal and regional tensions that lie not far below the surface.

However, the safety valve should be the general election ahead. "It is", says a member of the post-independence generation, savouring the prospect of political choice for the first time, "a fresh start, a chance to make up for mistakes made since independence."

Few Kenyans want to jeopardise this opportunity to restore their country's status as a rare African success story. Kenya can boast that for nearly 25 years real growth in gross domestic product outpaced an annual population increase of nearly 4 per cent.

However, during the 1980s doubts began to set in about Kenya's economic management, coupled with concern about a human rights record which, while better than much of Africa, was falling short of what donors expected from a leading recipient of their aid.

Although western assistance to Kenya was growing — the ratio of grants to GDP rose from 1 per cent in 1986 to more than 8 per cent in 1990 — the gap between government's policy promises and implementation widened. An economic adjustment plan introduced in 1986 with the backing of the World Bank and the International Monetary Fund (IMF) frequently failed to meet performance targets in important areas.

Tariff reforms, restructuring of the financial sector, export incentives, and a competitive rate of exchange have won approval. But a growing fiscal deficit, over-expansion of money supply and poor progress with the reform of inefficient parastatals and a bloated government bureaucracy, overshadowed these achievements.

Corruption, a problem since independence in 1963, became endemic, with kickbacks and inflated contracts undermining aid programmes and deterring foreign investors. Kanu became increasingly intolerant of outside criticism, while losing credibility with many of its own supporters through blatant rigging of party and parliamentary elections.

As power and wealth accumulated in the hands of a presidential clique, human rights abuses multiplied. They ranged from spurious charges of sedition as a way of crushing legitimate dissent, and restrictions on press freedom, to torture, and detention of leading critics. The nadir was reached in early 1990 with the murder of Mr Robert Ouko, the popular former foreign minister. The public inquiry that followed implicated senior government officials, apparently determined to conceal a corruption scandal. Leading suspects remain at large, gravely undermining the government's reputation.

Frustrated and angry, and armed with the comparatively recent development strategy which links aid to political and economic reform in recipient countries, Kenya's donors last November suspended new assistance, giving government six months to put its house in order.

Barely days later, against a background of growing domestic dissent, Mr Moi took the important first step. It may prove to be the easiest in what is likely to be a difficult road ahead.

Whatever party emerges triumphant at the forthcoming general election has to confront unpleasant economic realities and implement tough measures if it is to win back the confidence of donors.

These require severe cuts in state spending, pruning of a bloated civil service, new revenue raising measures including university and outpatient fees, and faster privatisation of parastatals. All this and more has to take place against a background of rising unemployment and growing land hunger.

Two-thirds of Kenya is arid or semi-arid. Sub-division of smallholdings is approaching its limit, and more and more school leavers look to the towns for work.

Though government has made headway in efforts to reduce the population growth rate, the economy needs to create 400,000 jobs a year for a population that will double in 17 years.

How much the electorate will blame Mr Moi for the state of the economy — still in better shape than almost any other in Africa — remains to be seen.

Government officials argue that the origins of some of Kenya's economic problems predate Mr Moi, who succeeded the late Jomo Kenyatta in 1978. But the fact that many of those long-identified problems have yet to be tackled suggests that the 1980's was a decade of lost opportunities.

As pertinent today as when written are the conclusions of a government inquiry into government expenditure, appointed 10 years ago.

The government's "serious financial crisis" had two roots, concluded the committee, chaired by Mr Philip Ndegwa, a former governor of the central bank. It acknowledged the adverse impact of external events. But, the report went on, a "stronger but less well perceived root [is] the proliferation of commercial activities by government, which has diverted scarce management talent away from the central functions of government."

This, said the committee, together with heavily subsidised social and other services, had led to an "unmanageable growth" in government expenditure.

Ten years on, and the parastatal sector is costing the government Ksh2.9bn, or almost 1 per cent of GDP. It is the largest single cause of governments failure to meet spending targets. "The new Kenya needs better management, a crackdown on corruption, constitutional checks on the executive, and the support of donors," concluded a leading Kenyan businessman who has served in government.

If the post-election administration accepts this advice, there is every chance that Kenya, *lapsed role model*, could emerge as successful African test case for democracy, donors and development.

IN THIS SURVEY

Coffee picking, Kiambu

Editorial production: Phillip Halliday

■POLITICS: stage set for an engrossing general election

Moi tests voters' mood

IN THE space of three weeks late last year, Kenyan politics was transformed. It began with confrontation and ended in accommodation, as President Daniel arap Moi bowed to mounting domestic and external pressure and lifted the ban on opposition parties.

The stage is set for an early general election in which an opposition led by a coalition party is pitted against the ruling Kenya African National Union (Kanu), unchallenged at the polls since 1966.

Recent resignations, including that of Mr Mwai Kibaki, a senior minister and former vice-president who intends to launch his own party, have seriously weakened Kanu. And if the main opposition party, the Forum for the Restoration of Democracy (Ford), an alliance of veteran politicians, businessmen, lawyers and academics, can hold together, Mr Moi faces a formidable threat.

However, he does have the advantage of long established party machine, control of state patronage, and an economic record which, while tarnished, is bettered by few African states.

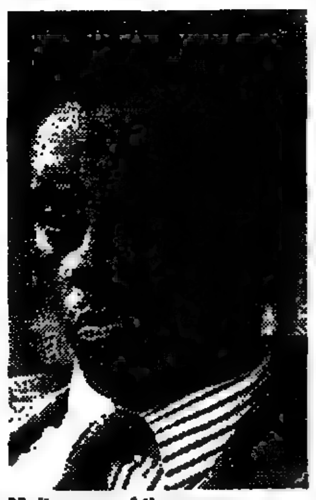
Although differences may emerge once the campaign gets off the ground, there so far appears no fundamental policy dispute between the parties. Ford, led by former vice-president Mr Oginga Odinga, 80, has not suggested it would deviate from the government's economic reform programme.

However, the government will be vulnerable to charges that mismanagement and official corruption have seriously undermined these reforms. The opposition will contrast its strong human rights stance with Kanu's authoritarian history.

The president has displayed an unexpected political agility. Once committed to the one-party system that has kept him in office for 13 years, Mr Moi last year began hinting at change in the offing. But the speed with which he finally moved caught the nascent opposition unprepared.

In early December somewhat bemused delegates to a special congress of Kanu, who had spent the day extolling the merits of a one-party state, were effectively instructed by Mr Moi that they had to allow multi-party politics.


Moi: unexpectedly lifted the ban on opposition parties


Muite: one of the younger generation of politicians

Yet this remarkable turnaround began with a crack-down that boded ill for Kenya.

In mid-November leading supporters of Ford, which at that stage stopped short of calling itself a political party, were arrested shortly before they were scheduled to address a Nairobi rally.

The next day riot police used tear-gas to disperse crowds trying to defy the government's ban on the meeting, and Kenya appeared set for confrontation.

The timing could not have been worse for the country's economy. A few days later Kenya's aid donors meeting in Paris announced that they would withold their response to the government's request for new aid for six months.

Further help, they warned, would depend on progress in political and economic reforms.

Adding to the tension were the allegations and revelations surfacing at the official inquiry into the murder in 1990 of Mr Robert Ouko, then Kenya's foreign minister and a leading member of the Luo tribe.

Mr John Troon, a British detective who led a Scotland Yard team of investigators called in by the government, named Mr Nicholas Biwott, a cabinet minister seen as Mr Moi's closest ally, as a prime suspect in the murder.

The motive, he suggested, was growing concern about information unearthed by Mr Ouko during his internal probe into high-level corruption, which allegedly implicated Mr Biwott and other senior officials.

Mr Moi responded by sacking Mr Biwott from the cabinet. A week later, Mr Biwott was arrested after the president ended the 244-day inquiry and ordered police to act "immediately" on the information that had been made available.

Another senior government official arrested at the same time has been charged with murder. Mr Biwott, however, was subsequently released, with police explaining that there were insufficient grounds on which to hold him "at this stage".

Events have been moving so fast in Kenya that it may be premature to draw any conclusions from this surprising development. But most observers agree, that Mr Moi will pay a price at the ballot box if quicker progress is not made in resolving the Ouko affair.

The corruption issue apart, the president has no time to lose in addressing other concerns.

Mr Moi has to reshuffle a cabinet and party leadership in which sycophancy has often outweighed competence. But a critical consideration for the president, a member of the minority Kalenjin clan, will be the need for his new team to reflect the ethnic arithmetic of the main four tribal groupings - the Kikuyu, the biggest single tribe, the Luo, the Luhya and the Kamba.

The first stage of the reshuffle has proved controversial. The president dismissed Mr Peter Oloo Aringo, a Luo who was minister of manpower development and national chairman of Kanu.

Mr Aringo, who subsequently joined Ford, was seen as a leading member of the reformist wing of Kanu, supporting multi-party politics and critical of the often corrupt and intolerant old guard. His departure suggested that the hardline guard is still in charge.

The opposition, relishing the spectacle of sackings and resignations (five ministers quit in December alone), continued to consolidate one of their main assets, a careful ethnic spread.

This consideration is uppermost in the selection of the opposition's presidential candidate. Mr Odinga could prove to be a shrewd choice – assuming his current leadership status is confirmed at the party's forthcoming inaugural congress.

Although a Luo, he has a national appeal, while the combination of his advancing years and the likelihood that there will be a strong cabinet – should Ford win – drawn from across tribal lines will reassure Kenyans anxious not to repeat their experiences of all-powerful presidencies with a strong ethnic bias.

Under the Ford umbrella are prominent figures from the Luhya community, such as Mr Martin Shikuku, who led a short-lived breakaway movement before returning to the Ford fold, and Mr Masinde Muliro, both veterans of the independence struggle.

Kikuyu representation includes by Mr Kenneth Matiba, a leading businessman, Mr Charles Rubia and Mr Manyua Waiyaki, ex-ministers, and a younger generation of politicians such as lawyers Mr Paul Muite, and Mr Gitobu Imanyara, from the closely associated Meru tribe.

It is a powerful combination, but one with undercurrents of personal and tribal rivalries that Mr Moi can be expected to exploit as he wages the battle for his political life.

Michael Holman

■FOREIGN RELATIONS: donors turn frustration into action

Aid packages linked to social and economic reform

"FROM GOLDEN boy to whipping boy," observed a senior Kenyan official, responding to the most severe jolt in foreign relations since independence nearly 30 years ago.

Once an African development model, Kenya has become an important test case for the policy which links aid levels to good government.

Thus the outcome of an aid donors meeting in Paris last November dwarfed in significance other important external issues such as the instability in the Horn of Africa, the development of closer ties with South Africa, and hopes for greater economic co-operation in east Africa.


Chalker: called for further progress towards democracy

The donors, chaired by the World Bank, announced they were holding back on new aid pledges for six months. It was a remarkable demonstration of anger and frustration over corruption, the slow implementation of an economic adjustment programme, and the government's intolerance of opposition.

Many forces for change in Kenya were at work, some going back years. But it seemed no accident that, days after the Paris meeting, President Daniel arap Moi ended Kenya's one-party system.

The Paris decision was unprecedented in black Africa. Other states, such as Sudan, have lost aid because of human rights abuses or economic mismanagement. But the countries concerned have either been hostile to the west, or of little commercial or strategic interest.

Kenya, however, presents a very different case. The pro-western stance adopted under the late President Jomo Kenyatta has been followed unwaveringly by President Moi.

Its mixed economy, broadly pro-capitalist when much of Africa was espousing socialism, and home to some £1bn worth of British investment, expanded at a rate that won Kenya plaudits as an African role model.

On issues ranging from backing for the boycott of the Moscow Olympics and a supportive part in efforts to bring independence to Rhodesia (now Zimbabwe) and Namibia, to military pacts with Britain and the US involving training facilities and access to the Indian Ocean port of Mombasa, Mr Moi has been a steadfast ally.

The rewards have been considerable.

Kenya has been one of the leading recipients of external aid in sub-Saharan Africa, in the last two years alone receiving some $1.6bn, while the ratio of grants to gross domestic product has grown from 1 per cent in 1986 to over 3 per cent in 1990.

Even as aid was rising, there was an increasing feeling among donors that the Kenyan government was running what amounted to a skilful public relations campaign, drawing up admirable development plans and policy papers – often containing frank analysis of economic shortcomings – but falling well short of targets when it came to implementation.

With the thawing of the Cold War and the end of proxy conflicts in Africa, and the growing demand across the continent for multi-party government, the time was ripe to turn donor frustration into action.

First to move were Kenya's Scandinavian partners, vigorously lobbied by Kenyans in exile, drawing attention to human rights' abuses at home.

In October 1990 Norway stopped its aid programme after Kenya broke off diplomatic relations following Oslo's criticism of the government's treatment of a prominent dissident. This was followed last year when Sweden refinced aid and Denmark cut off all assistance.

It became apparent that the World Bank, Kenya's largest donor, was prepared to put its foot down. In the course of 1991 the Bank suspended negotiations over a loan to the energy sector, which had become notorious for the level of corruption under Mr Nicholas Biwott, the energy minister, since sacked.

Meanwhile, Washington's outspoken ambassador to Kenya, Mr Smith Hempstone, was increasingly critical of Kenya's human rights record; even the British government, hitherto a proponent of discreet, behind-the-scenes diplomacy, issued an unprecedented public warning.

Speaking shortly after last November's arrest of government critics Mrs Lynda Chalker, overseas development minister, condemned the action as "oppression of opposing views" and called for "further progress towards democracy."

In spite of these warnings, it nevertheless came as something of a shock for the government – and provided a lift for the opposition – when the communiqué issued after the World Bank chaired Paris meeting put the principle of linkage between aid and good government so bluntly: "Delegates made clear their willingness to support Kenya's economic development", said the communiqué, "but stressed that levels of aid for Kenya also depend on clear progress in implementing economic and social reforms."

In vain, Kenyan officials have pointed out inconsistencies and anomalies in the application of this principle elsewhere.

Nigeria, they note, has not attracted international opprobrium for its use of the electoral system in which voters line up according to their political preference, for a public count – a procedure dropped by Kenya last year.

Nor, they argue, can Nigeria boast a better human rights record, and the country is renowned for corruption. Closer to home, Tanzania and Uganda are also candidates for "aid linkage", officials suggested.

They may have a point, acknowledged western diplomats in Nairobi, but it would not divert donors' from their target.

Scenting success, Kenya's aid partners are unlikely to ease their pressures until the government has taken further steps down the path of economic and political reform.

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Scenting success, Kenya's aid partners are unlikely to ease their pressures until the government has taken further steps down the path of economic and political reform

THE ECONOMY: in trouble but not yet in deep crisis

Donors face up to the realities

LISTENING TO donors and some Kenyan businessmen, it is easy to believe that the Kenyan economy is in deep crisis. It isn't yet, though it could well become so if the political situation continues to sour. The truth – which almost all donors have denied until recently – is that the economy has been in trouble for some years, but it was neither politic, nor fashionable, to say so.

That it has become so, especially in the last year, reflects a sea-change in donor opinion. There are three clear strands to this: post-1989 focus on human rights and governance is arguably the most important, especially for Kenya, whose record in the field of pluralism, transparency and accountability is abysmal. Corruption has escalated and is a significant part of the country's economic and political difficulties.

Two other influences have been at work. One is the *spurned suitor* syndrome: donors have lost patience with the African country, for so long their favourite son, reacting with indignation at what they see as betrayal. The fact that it took them so long to recognise that their money was failing to achieve the desired result is a sorry commentary on the quality of donor decision-making.

As one businessman puts it: "The donors went on taking Kenyan promises at face value for too long, while at the same time kidding themselves that reform was on track."

Thirdly, the theology of structural adjustment has changed. In Kenya, progress in the financial sector, in the decontrol of prices, agricultural marketing and trade liberalisation has been undermined by a deteriorating public sector.

Getting half the equation right is not good enough. Mr Lucas Ndungi, chairman of Nestlé in Kenya and president of the Kenya Association of Manufacturers, sums it up: "The private sector cannot move faster than government."

In the public and parastatal sectors a gap separates promises from performance. The absence of political commitment, the sense that no-one is wholly in charge of economic strategy, the determination of "rent-seekers" to secure their unwarranted slice of the action, and the familiar problem of motivating a bloated bureaucracy to push through politically unpalatable policies have combined to create the feeling of an economic crisis.

That a country whose economy has been growing at 4.9 per cent a year since 1985, and which has outperformed virtually all other African countries, is now deemed to be in crisis is hard for the outsider to grasp. At first glance, it appears to have achieved far more than most other African countries, judged by the normal yardsticks of economic performance. A comparison with Zimbabwe – a country widely regarded as another African top performer – illustrates the point.

However, Zimbabwe climbed on to the structural adjustment bandwagon only a year ago, while Kenya has been on it for six years. Moreover, Kenya's performance is visibly deteriorating, while Zimbabwe's experience with reform is too short-lived *for any meaningful conclusions* to be reached. Also, Kenya has become increasingly aid-dependent in recent years, while Zimbabwe's aid reliance is among the lowest in sub-Saharan Africa.

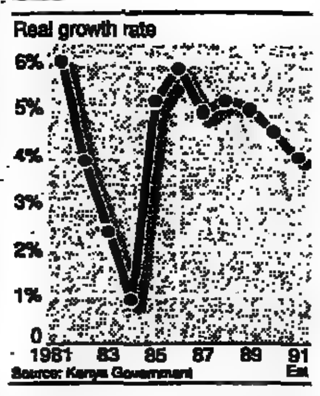
Above all, there is the sense that, should Kenya, with its impressive growth record, be in danger of slipping into the crisis category, that is largely of the government's own making. But this is less than fair, given the one-third deterioration in the *terms of trade* since the mid-1980s.

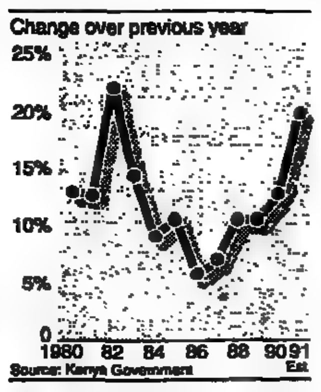
Four problems loom when assessing economic prospects: public sector reform, aid dependence, export expansion and unemployment. The most urgent is that of restructuring both the parastatal sector and central government.

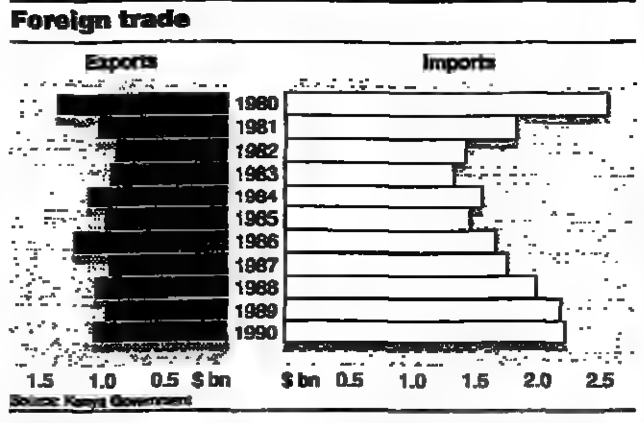
The country's near-term stabilisation difficulties have their origins in excessive public spending. Inflation, which averaged 20 per cent on the revised retail price index last year, is at its highest level for a decade – the result, mainly, of rapid monetary growth of 20 per cent annually in the last two years, currency depreciation, increased fuel prices and the decontrol of prices.

The main cause of money supply growth was government borrowing to fund the budget deficit of 5.6 per cent of GDP in 1990-91. The authorities are committed to reducing this to only 2 per cent in the fiscal year to June, but that target looks optimistic and about 4 per cent seems more likely.

The problem is partly structural – too many ministries, too many civil servants and too much spending on wages rather than goods and services.







The economies compared

	Kenya	Zimbabwe
GDP growth (1985-90)	4.9%	3.4%
Inflation (1991)	20.0%	23.0%
Budget deficit (% of GDP) 1990-91	5.6	10.5
BoP deficit (% of GDP) 1991	5.5	10.0
Wage employment growth (1985-90)	5.4%	2.5%
Aid dependence (1998-99)	11.1%	4.5%

Source: World Bank and National Accounts

The result – a bloated, inefficient bureaucracy.

Parastatals are a big part of the problem. Over the years the government built up a portfolio of investments ranging from horse-breeding to Kenya Airways. Ten years ago a government report found that the state was earning a return of a mere 0.2 per cent on its $1.4bn parastatal investment. If the *profits of the central bank* are excluded, the parastatal sector is costing the government K£2.9bn or almost 1 per cent of GDP.

Elimination of the parastatal deficit is central to balancing the budget. While 139 non-strategic enterprises were listed in the July 1991 budget as privatisation targets, little progress has been made. This is the root cause of donor disillusionment. It also helps explain Kenya's difficulties in meeting targets *set under the current loan* agreement with the International Monetary Fund (IMF).

Today, Kenya can afford neither the financial burden of an inefficient public sector, nor donor disapproval. In the last five years, the balance of payments *has been in surplus only* twice – in 1986, when coffee prices were buoyant, and again in 1989 when there were substantial aid inflows. Over that period aid grants averaged 2.5 per cent of GDP, while foreign capital inflows have financed more than 20 per cent of total investment.

The growth in aid dependence is reflected in the sharp rise in the ratio of grants to GDP – from 1 per cent in 1986 to more than 3 per cent in 1990. In a world of capital shortages and heightened competition for the donor dollar, Kenya needs to improve its image with the donor community while reducing aid dependence.

This will be difficult. Kenya's trade policy reforms, designed to increase domestic efficiency and encourage exports have had little impact. Exports increased 10 per cent in the four years to 1990, while imports grew twice as fast, ris*ing 23 per cent. Even after* grants averaging $365m a year the current account foreign payments deficit averaged $500m in 1989-90.

While tourism, whose 1990 earnings of $465m matched those of tea and coffee combined, is partially financing the trade deficit, its growth is likely to slow, underscoring the urgency of an early, powerful export response.

The pieces are in place – strengthened export incen*tives, the launch of export pro*cessing zones, tariff reform and shilling depreciation – but Kenyan industry does not have an export culture and it will be competing against in a world where dozens of developing countries have similar strate*gies and where cost-leadership* is not enough. Quality is vital. Horticulture has set a precedent, demonstrating that an export culture can be created and high quality achieved.

Kenya needs to create 400,000 jobs a year to keep pace with a population that will double over the next 17 years. There is a large pool of unemployed, with urban unemployment estimated at 16 per cent.

In the last four years, formal sector job generation has averaged 90,000 a year, with the bulk (48,000 a year) occurring in small-scale enterprises.

Official figures point to the creation of more than 400,000 jobs in 1990 in the informal sector, but because informal sector incomes and productivity are not growing, this – in the words of a Kenyan report – is "neither growth nor development". Privatisation and fiscal stringency mean that the public sector, which accounts for *virtually half wage employ*ment, will make little contribution to employment expansion.

The fact that unemployment has risen rapidly in spite of economic growth of 5 per cent headlines the need for significantly faster expansion in the 1990s if a socio-political crisis is to be averted. But for the economy to grow more rapidly, the inter-related balance of payments and investment constraints must be loosened, underscoring yet again the *need for Kenya to pursue an* export-led growth strategy while making its peace with the donor and foreign investor communities.

Tony Hawkins

THE BUDGET

Battle to cut spending

MORE AFRICAN structural adjustment programmes have foundered on budgetary problems than any other single obstacle.

From 1985, when it launched its Budget Rationalisation Programme (BRP), Kenya has been grappling with the problem of excessive and inefficient patterns of public spending. The number of government ministries has increased from 19 in 1970 to 28; there are six ministries responsible for manpower training, and public sector employment has been expanding at over 6 per cent a year – faster than GDP. In 1990, there were more than 26,000 people employed in excess of establishment, costing 0.5 per cent of GDP.

An important factor has been education. There are more than 5.6m pupils in schools compared with just over 900,000 30 years ago. Education spending accounts for more than 40 per cent of recurrent public expenditure.

Much is rightly made of the contribution of education to economic growth, but the emphasis of Kenya's higher education programmes has been on turning out graduates qualified to work in the public sector. The government estimates that roughly two-thirds *of graduates are best qualified* to work in the public sector.

A second striking feature is the distribution of civil servants across departments, with the Office of the President employing some 48,000 people – more than such ministries as health, agriculture and public works.

The combination of rapid public sector employment growth, higher pay for civil servants, rapidly rising interest payments and slow-growing government revenue has undermined civil service effectiveness and created a destabilising fiscal situation.

Public service efficiency is suffering from the shift in the pattern of expenditure in favour of wages and salaries, and away from goods and services. The share of non-personnel spending in the recurrent budget has fallen from more than one-third 10 years ago to less than a quarter today, with the familiar result of pupils without desks and books and agricultural extension officers without transport.

Budget deficits
(% GDP)

	Exc. grants	Inc. grants
1986-87	8.1	6.3
1987-88	8.4	5.4
1988-89	10.3	7.4
1989-90	7.7	5.3
1990-91	8.0	5.8
1991-92	6.0	4.0

Source: IMF

Meanwhile, government revenue slipped to 24 per cent of GDP last year, while expenditure rose to almost 30 per cent, leaving a budget deficit of 5.6 per cent, well above the targeted 3.8 per cent. The 1991-92 budget projects a sharp reduc*tion in the deficit, from* K£12.2bn to K£4.6bn, to be achieved by holding expenditure growth to only 5.6 per cent. With inflation at current levels, this implies a double-digit decline in real public spending, while revenue increases 19 per cent.

Revenue will rise, due mainly to the imposition of VAT on fuel in February 1991 for the full 1991-92 fiscal year, along with increases in indirect taxes. User fees are to be imposed on university students, and outpatients fees reintroduced at hospitals.

The main challenge will arise on the expenditure side, where the government is committed to retrenching some low-paid employees while freezing new appointments. There will be no increase in the number of primary school teachers, meaning an increase in pupil-*teacher ratios. University* enrolments are being halved, and civil service pay awards will be phased in over three years. Development spending has been cut with the cancellation of some projects and restricting new projects to those wholly-funded by donors.

Because public sector retrenchment and parastatal restructuring are running behind timetable, while inflation is ahead of forecast and economic growth slower than predicted, the 2 per cent of GDP budget deficit target for the year looks optimistic.

There was a carry over of expenditure from the previous financial year, and the government has been forced to pick up the tab for parastatal debt-servicing to avoid default. Higher interest rates will push up the cost of debt service, and parastatals are going to need *continued financial support* from central government.

Revenue is on target and in the absence of new public spending setbacks, always possible at a time of high inflation, the Treasury should manage to get the deficit close to 4 per cent of GDP, thereby convincing donors that Kenya is at last getting to grips with the problem of public expenditure.

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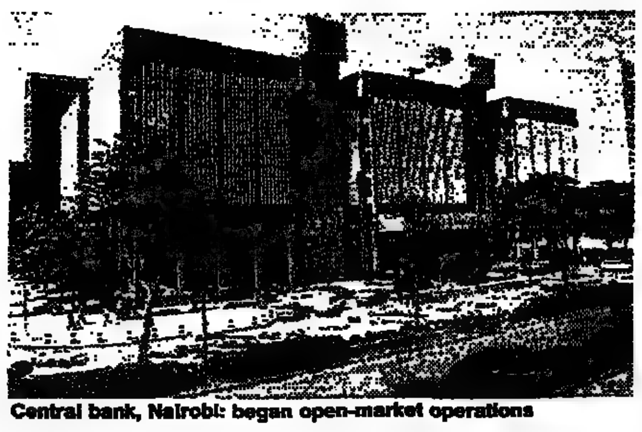
■BANKING: most policy reforms have been implemented

A question of the right rate



Central bank, Nairobi: began open-market operations

ONE SECTOR where the Kenyan government cannot be blamed for dragging its heels is banking and finance.

The bulk of the policy reforms laid out in the Financial Sector Adjustment Operation have been implemented, though there is still a good way to go on the institutional side. In April 1989, minimum savings and deposit rates were raised in three steps from 10 per cent to 13.5 per cent. With inflation below 11 per cent, real rates were positive, remaining so until 1991.

In 1990, the Central Bank of Kenya (CBK) abolished its controls on lending-related fees, thereby liberalising interest rates, though maximum lending rates were capped until July this year when interest rates were completely deregulated. Treasury Bill rates are market determined – the cap was lifted in October 1990 – and early this year the CBK began open-market operations.

It has not been possible to shift the entire government overdraft into the Treasury Bill market, partly because the authorities wanted to avoid paying more for their money, and because the money market could not have coped with the volume of short-term public sector borrowing.

Prime lending rates are in the range of 16 per cent to 17 per cent for the main banks, and while this means lending rates are negative in real terms, the authorities expect the inflation rate, which averaged 20 per cent in the first 10 months of the year, to fall below prime and some deposit rates in the first half of 1992. The government is predicting positive real savings rates of about 2 per cent, and real lending rates of 5 per cent.

It's a highly segmented interbank market with the leading players reluctant to lend to a number of the smaller, local banks. Similarly, high-risk borrowers are paying well over the prime rate – as much as 24 per cent to 25 per cent – for their loans.

Four commercial banks dominate a market comprising some 28 banks and more than 50 financial institutions. The banking sector is dominated by the state-owned Kenya Commercial Bank and Barclays, each with more than 20 per cent of the market, followed by Standard Chartered with 15 per cent and the government-owned National Bank of Kenya with less than 10 per cent.

Banking legislation was amended, specifying new capital asset ratios, set at 5.5 per cent in 1991 and 7.5 per cent by January 1992. Ten financial institutions were restructured and merged into a new bank – the Consolidated Bank of Kenya. A Capital Markets Authority (CMA) was set up in March 1990, tasked with broadening and deepening the existing markets. It has three key objectives – increasing competition in the securities markets, encouraging secondary market development, and improving incentives for private capital and particularly privatisation issues.

Its first steps including getting the government to abolish double-taxation of dividends, reduce corporate rates, amend the unit trust legislation and allow company share issue expenses to be tax deductible.

The authority has not moved as fast as it would like, partly because market conditions have been difficult, with the growth of political uncertainty and because the government fell behind target with its privatisation programme.

There have been just two public share issues in the last two years – by Kenya Commercial Bank, and the Kenya Finance Corporation, while two others were aborted.

The CMA believes that the market can absorb between K£1bn and K£2bn of new issues over a 12-15 month period, and has plans to bring as many as possible of the 15 parastatals identified for flotation to the market during 1992. The pace of privatisation will depend on market depth and enthusiasm for the different issues.

An important reform in November was the launch of Foreign Exchange Certificates, denominated in US dollars and paying interest at the London Interban Offered Rate (Libor). These allow Kenyans or foreigners to bring in foreign currency – though not export earnings, which have to be sold to the central bank – and obtain a certificate enabling them to repatriate funds.

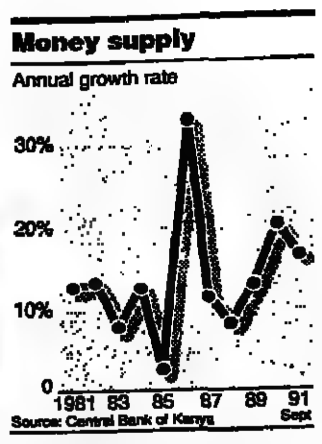
The aim of the exercise was to loosen exchange controls, encourage Kenyans and others to bring in foreign currency, and marginalise the black market. The certificates are being traded at a premium in the secondary market, with anyone who imports foreign exchange being allowed to sell the certificate at a premium to someone moving funds out of Kenya.

While the innovation has been welcomed by the banks, there are some worries over the government's ability to provide the foreign currency – and over the size of the premium that might emerge. The certificates are a potentially attractive vehicle for transferring dividends which are subject to a two-year pipeline.

Their introduction has unlocked an area of pent-up demand pressure for foreign currency and if inflows are only modest, the premium in the secondary market could widen, dragging the black market premium of about 15 per cent to 20 per cent up with it.

As in most sub-Saharan countries, monetary policy is budget-driven, with the central bank financing the public sector deficit. In 1990, government borrowing from the banks increased nearly 60 per cent to K£28bn. This had slowed to 22 per cent in the year to September 1991. The public sector accounted for 70 per cent of money supply growth, underlining the extent to which monetary policy is dominated by fiscal considerations.

Reserve requirements – 6 per cent for commercial banks – and liquidity ratios of 20 per cent for banks and 24 per cent for non-bank financial institutions are not used to regulate credit growth, because while most of the banks and financial institutions maintain such ratios, there are some which cannot and the CBK has not forced them to do so.



Source: Central Bank of Kenya

Credit ceilings were introduced at the end of 1987, but these tended to be ignored by the banks until the authorities imposed penalties in May 1990. The snag with such controls is that they are targeted at the private sector, thereby constraining investment, while government credit creation continues unabated.

If the government can get a grip on public spending, money supply growth should slow during the latter half of the fiscal year to June. The authorities are committed to cutting the budget deficit from 5.6 per cent of GDP in 1990-91 to 2 per cent, but this is an overly ambitious target and the signs are that it will be closer to 4 per cent. In spite of this, there should still be a marked slowdown in government borrowing and credit expansion over the next six months.

Monetary growth has contributed significantly to the acceleration in inflation. Kenyan research shows that money supply growth fuels inflation with a lag of about six months, though a variety of other factors, such as the decontrol of prices, higher energy costs and currency depreciation, explain the increased tempo of price rises.

With economic growth of no more than 4 per cent last year, and monetary expansion of about 20 per cent, inflationary pressures will remain strong for much of 1992, suggesting that the authorities will overshoot their target of 5 per cent inflation by the end of 1992.

Tony Hawkins

■INVESTMENT: unemployment problem sits on the horizon

Little interest from abroad

IF KENYA is to avoid a serious unemployment problem later in the decade, it will have to invest a good deal more and make that investment more productive.

By sub-Saharan standards its recent investment record is relatively good, with fixed investment (ignoring inventories) averaging almost 20 per cent of gross domestic product. The capital output ratio has been close to four – implying that Kenya has to invest $4m to obtain a $1m increase in output. This means that to grow at 5 per cent a year, Kenya must invest four times that – approximately 20 per cent of GDP. Unfortunately, 5 per cent growth is inadequate, given Kenya's population growth rate and age profile, so that a 20 per cent investment ratio is just not good enough.

The country's capacity to maintain investment at current levels depends heavily on foreign funding. Not on foreign direct investment, which averaged $30m annually during the 1980s, but on aid grants and loans. Domestic savings, as a share of GDP, have declined in recent years, partly because of the government deficit. The result has been that between one-fifth and a quarter of total investment is funded from abroad and in a world short of capital, this is a precarious situation.

The Kenyan response – like that in many other African countries – has been to promote private investment by establishing an Investment Promotion Centre, seeking to create an enabling environment to foster private entrepreneurship, and establishing export processing and manufacturing-under-bond zones.

However, foreign investors are staying away, which is hardly surprising given the two-year dividend remittance pipeline. Rapid exchange rate depreciation compounds the problem: a K£17.8m dividend was worth $1m in 1988, but by the time it could be remitted in 1990, it had depreciated to $775,000, thereby sharply lowering the foreign shareholder's return on his investment. Nor has foreign investor sentiment been helped by Kenya's poor international media image.

The IPC, established in 1982 as a department within the Ministry of Finance, was converted to an autonomous parastatal five years ago, charged with promoting foreign and domestic investment, acting as a one-stop-shop for investors, and advising government on policy reforms needed to increase investment. Officials insist the centre's chief task is promotional – to attract and motivate investors and then help them through the labyrinth of Kenya's tangled, overlapping bureaucracy. They have been instructed to get a project fully approved within a month, but acknowledge that it takes five to six weeks.

Businessmen say it takes longer, pointing out that even when the IPC has obtained its basic approvals from the relevant government departments and the central bank (where applicable), there are often other licences and permits to be obtained – work permits, and trade and import licences.

The IPC has processed more than 329 applications since 1988, resulting in project approvals totalling some $350m, and creating 23,200 jobs. Not all approvals are actually translated into projects, and an IPC list of 123 approvals shows that less than one-third are operational.

Another third has been approved, but these are held up because the promoters have yet to raise the necessary capital or are looking for a joint-venture partner. A handful have been rejected including one submitted by Colgate Palmolive, while eight projects cannot go ahead until suitable land is made available. Ten of the 130 were abandoned after being approved, while the remaining 20 are under construction or awaiting the arrival of imported machinery.

Most of the 35 operational projects are small, representing a total investment of less than $30m. Particularly disconcerting is that only about 10 per cent of the project list is expected to generate foreign currency, though there could be significant import savings.

The list is far from complete since investors are not obliged to go through the IPC, although they are advised to do so. One official estimates that as much as 30 per cent of new projects bypass the centre. The IPC hopes to expand its activities abroad in the next few years, opening a second European office – it has one in Zurich – as well as establishing a presence in the Asia Pacific region and the US.

The slow response is not surprising, given that less than 2 per cent of global foreign direct investment goes to Africa. Kenya does not offer a package of attractive investment incentives – except in the EPZs. Non-EPZ investment qualifies for export compensation for non-traditional and manufactured exports, import tax and VAT exemptions on imported plant and equipment and tax breaks on investment in plant and machinery.

Foreign investment is guaranteed against expropriation, and while dividends, profits and royalties are freely remittable, there is a two-year queue which has encouraged some companies to reinvest. Kenya is a signatory to the Multilateral Investment Guarantee Agency (Miga), and has signed the US Overseas Private Investment Corp (Opic) agreement. The EPZ package is far more attractive – a 10-year tax holiday, followed by a 25 per cent rate of corporate tax, exemption from exchange controls, and no withholding taxes on dividends.

The IPC's belief that there are attractive opportunities in agro-processing, horticulture and tourism is well-founded, though there are very real environmental and crowding-out constraints on tourism, while international competition in horticulture is increasing rapidly.

Whether Kenya can attract investment in electronics, pharmaceuticals, chemicals, engineering and vehicle components is more problematic. With the declining importance of low-skilled labour in many manufacturing activities, Kenya does not have much to offer by way of competitive advantage.

Its best hope perhaps is as Africa's third growth pole – after South Africa and Nigeria – exploiting its geographical position as the hub of the east African market. But that is not a large market by international standards, and not big enough to yield the scale economies so essential to profitable manufacturing and export in many industries today.

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Manufacturing must become a lead sector, writes **Tony Hawkins**

Attacking the tariff barriers

IF STRUCTURAL adjustment is to succeed, manufacturing industry, and manufacturing exports in particular, must become the lead sectors of the economy for the rest of the century. This was recognised in 1986 when the government's economic policy statement – Sessional Paper No 1 – set a target growth rate of 7.5 per cent a year for the industrial sector during the 1988 to 2000 period.

While manufacturing industry has been the lead sector since 1988 with growth of 5.5 per cent a year, it has, in common with the rest of the economy, fallen behind target, in spite of the impressive momentum of reform, especially in trade policy.

Kenya's industrial sector ranks as the fourth largest in Africa after South Africa, Nigeria and Zimbabwe. In 1985, it comprised some 560 medium and large-scale companies, more than 700 medium-scale businesses, and an estimated 1,600 micro-enterprises. In 1990, manufacturing value added was estimated at $440m.

Food processing is the largest single activity, accounting for almost 30 per cent of value-added, followed by tobacco and beverages with 11.5 per cent, while chemicals and machinery and transport equipment account for about 10 per cent each. Manufacturing is the second largest employer, providing 334,000 jobs or a quarter of wage employment.

In 1987, a World Bank team studied a sample of 45 companies and concluded that the average company enjoyed 90 per cent protection. In spite of this, some import-substitution activities, notably food processing, beverages and tobacco, were relatively efficient. But when they were assessed as potential exports, the bank found that while their ex-factory prices were competitive against those of landed imports, once transport costs to export markets were taken into account, they were too costly to compete. Furthermore, packaging and quality did not measure up to international standards.

It concluded that the rest of the sector was inefficient. Highly protected activities – steel, chemicals, transport and electrical equipment – would never be internationally competitive because of scale economies, and the bank was unhappy that so much investment had gone into these industries.

Critics of Kenyan economic policy tend to overlook the extent to which these shortcomings have been addressed, primarily by reducing protection and devaluing the shilling. Tax rates have been lowered, most prices decontrolled, imports liberalised and export incentives strengthened. The main thrust of reform has been to force industrialists to seek export-led growth and to improve efficiency as protection is reduced.

Quantitative controls on imports have been abolished, tariff rates lowered and tariff dispersion narrowed. There are 12 tariff bands compared with 25 previously, and while maximum tariff rates have been cut and average tariffs reduced, the main reduction in protection was achieved by abolishing import controls. In the mid-1980s, import bans covered most of industrial production, but by the end of 1990, the IMF estimated that only about 5 per cent of imports were restricted. Today, protection is greatest for cars and textiles.

Four years ago, the top tariff rate was 170 per cent, and as recently as 1990 there were more than 1,400 items with tariff rates of 80 per cent or more. Today, the top rate of 70 per cent applies to some 1,370 items, with more than half the product categories attracting tariffs of 15-35 per cent.

The next stage of tariff reform is to abolish the licensing system and further narrow the range of tariffs which will shift the responsibility for stabilising the balance of payments to demand management by fiscal and monetary means.

It is too early to tell how the sector is responding to this shock therapy. There is some evidence of inefficient producers going to the wall and of industrialists responding positively to improved export opportunities brought about by the reduction in protection and currency depreciation. Industrialists support liberalisation, though there have been loud complaints from electronics, vehicle components and razor blade manufacturers that they are being marginalised by import dumping.

Statistics on industrial exports differ. According to the government, there has been a 70 per cent rise in the volume of manufactured exports since 1982, but the value of manufactured exports (excluding chemicals) shows a fall from more than $100m in 1980 to an average of $96m over 1988-90.

Opinions differ about Kenya's capacity to become a significant exporter of manufactures. The optimists believe its geographical location is ideal for exploiting its traditional east African and Preferential Trade Area market and markets in the EC and southern Asia. Pessimists say the market is too small to secure scale economies while quality and packaging is inferior.

A worrisome aspect is the apparent reluctance of multinationals to invest or expand in Kenya. Bankers say that most of the new investment in manufacturing has come from smaller and newer investors, often Asians, including Asian businesses based abroad. This has led to increased competition in industries such as edible oils, previously a monopoly, and to improved performance in several sectors where cost-conscious entrepreneurs, using modern equipment, are transforming some of Kenya's industries.

TRADE

A weak export performance

IN COMMON with almost every other African country, Kenya is trying to reduce dependence on a narrow range of commodity exports and develop non-traditional exports, especially of manufacturers. It has made little progress, in spite of the reversal of policies which, until the mid-1980s, ensured that it was more profitable to produce and sell domestically than export.

Trade liberalisation and a supportive exchange rate policy are beginning to change that but since 1985 the dollar value of exports has increased less than 10 per cent.

The main reason for this sluggish performance was the collapse of coffee prices in 1987. Prices more than doubled between 1982 and 1986 before falling 36 per cent in 1987. After a strong recovery in 1988, they reverted to their depressed 1987 levels last year, and have since fallen still further. This has been partially offset by the rise in tea prices, which have more than doubled over the past 10 years.

The blame for the country's weak export performance cannot be laid at the door of volatile commodity prices alone. At the end of the 1980s, the share of exports in GDP was averaging 12 per cent, compared with 19 per cent 10 years earlier.

The most exciting development has been the growth of horticulture. The value of horticultural exports has doubled since the mid-1980s to $140m and they are the fourth largest foreign currency earner after tourism, tea and coffee. The lacklustre performance of manufactured exports, which at $94m in 1990 were worth less than in 1980 ($109m), continues to disappoint.

Trade figures must be interpreted cautiously, since there the informal exports are not reflected in the official data. One industrialist estimates that up to 30 per cent of his company's products are sold in neighbouring territories, but only 5 per cent is officially recorded as exports.

In spite of this disappointing performance, Kenyan businessmen are confident they can develop non-traditional exports. The key prerequisites for a much-improved export performance are a marked reduction in inflation, liberal import policies, greater efficiency on the part of the transport parastatals, and an active exchange rate policy. Experience in the early 1980s demonstrated that the wrong conditions – expansionary monetary and fiscal policies, trade controls and an over-valued exchange rate – will bias production towards the domestic market.

That is now accepted, and the establishment of export processing zones and the manufacturing under bond scheme are evidence of an aggressive export strategy.

An important element has been exchange rate policy, with the real effective rate for the Kenya shilling depreciating more than 40 per cent since 1985. This, in combination with falling real wages, has improved the country's international competitiveness – though there is little evidence as yet of an upsurge in non-traditional export volumes.

Kenyan optimism over its ability to penetrate neighbouring markets is tempered by recognition that South Africa – and Zimbabwe, following its recent sharp devaluation – will become increasingly aggressive competitors in regional markets. Furthermore, even where Kenya has a cost-leadership edge, quality, product design and packaging standards do not measure up to international standards, nor is there much evidence of a dynamic export culture, especially in manufacturing.

The impact of trade reform is apparent in the changed and changing structure of exports. Horticulture, in which Kenya has a clear comparative advantage, is benefiting; while two exports in which Kenya does not have competitive advantage – cement and transport equipment – have declined.

Imports are dominated by capital equipment – 37 per cent of the total, manufactures (18 per cent), intermediate goods (16 per cent) and fuel (15 per cent). The import substitution strategy that dominated foreign trade policy before structural adjustment was launched has been progressively abandoned, first with the abolition of direct controls, and second with the reform of the tariff structure – reducing the average rate of protection and simplifying the tariff book.

In theory, imports are freely available, but in practice there is a queueing system for licences caused by the foreign currency shortage.

The EC dominates the direction of trade accounting for 45 per cent of both exports and imports. Britain is the main trading partner with an 18 per cent share of the Kenyan market and purchasing 17.5 per cent of exports in 1990. Japan has a 9 per cent market share, while the United Arab Emirates, with 13 per cent of the market in 1990 (during a period of high oil prices), is the main supplier of oil.

Japan's imports from Kenya are negligible ($13m in 1990), and there is obvious scope for broadening regional trade. Kenya has a $170m recorded trade surplus with the rest of Africa, with exports of $235m and imports of only $65m. The actual trade surplus is significantly higher, given substantial unrecorded exports with neighbouring countries, especially Uganda and Tanzania. In 1990, these two countries accounted for 8 per cent of total exports and more than half Kenya's African business.

For adjustment to succeed, trade patterns must change, since the obvious market opportunities for manufactured exports are in Africa, and especially within the 19-member Preferential Trade Area (PTA), where Kenya, Zimbabwe and Mauritius are the big players.

South African imports are bound to grow rapidly over the next few years, and other African suppliers, the UK and some Asian exporters will lose market share.

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BALANCE OF PAYMENTS

Dependence on capital inflows

Foreign debt (including undisbursed) Dec 31 1990 ($m)

Year-end	£bn
Multilateral	3,243
Bilateral	2,278
Export credits	366
Banks	583
Supplier credit	154
Total	6,625

Source: IMF

KENYA's current account deficit of more than $400m annually – 5.5 per cent of gross domestic product in 1990 – highlights the country's dependence on capital inflows.

During the 1980s, Kenya ran up an accumulated current account deficit of $3.5bn and was a net capital exporter to the tune of $500m. It relied almost exclusively on foreign aid and loans from multilateral institutions such as the World Bank and IMF to finance its $3bn current account deficit.

In fact, gross disbursements during the 1980s exceeded $4.5bn, of which the World Bank provided almost one-third, and bilateral loans from donors another third. The balance was provided in the form of export and suppliers' credits and bank borrowings which totalled $675m.

This is not a reassuring situation, at a time when Kenya is coming under intense, albeit largely politically-inspired, pressure from donors, and when foreign aid budgets are being closely scrutinised and reallocated. The debt-service ratio peaked at 39 per cent in 1987 then fell to 29.5 per cent in 1990 and Kenyans have become proud of their status as one of only four sub-Saharan countries to have avoided debt-rescheduling in the last eight years.

The government says that it will reduce the debt-service ratio to 24 per cent next year, though this is based on the somewhat optimistic assumption that export earnings will increase 10 per cent annually during the next two years.

Provided Kenya can keep the donors moderately happy while avoiding serious political upsets, the external debt situation should continue to be manageable. However, Kenya's proud debt servicing record could be threatened if the country falls short on either count, especially since its past export track record does not lend support to the rose-tinted export growth scenario.

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Balance of payments (SDRs m)

	1990	1991	1992
Exports	740	755	860
Imports	1,702	1,618	1,745
Trade deficit	962	863	885
Net services	341	324	380
Net transfers	275	235	230
Current account	-346	-304	-275
Net capital	238	208	230
Overall Balance	-108	-96	-45

1 SDR = $1.4 — Source: Kenya government

KENYA 6

Market makers: fruit and vegetables on sale from the back of trucks in Nairobi

HORTICULTURE

Decade of growth

EVERY NIGHT the freight terminal at Nairobi's International airport comes alive in a frenzy of activity.

Vans pull up loaded to the limit with boxes of strawberries, French beans and fresh cut flowers. Anxious producers mingle with customs officials and handling agents under dim neon lights. Produce is carefully checked, loaded into airline containers and put onboard flights heading for Amsterdam, Frankfurt, London and Paris.

In the past decade Kenya's horticultural sector has grown rapidly providing the country with vital new sources of foreign exchange and the only serious success in diversification of exports. In 1990, Kenya exported 49,930 tonnes of fresh horticultural produce, more than double the 22,266 tonnes of a decade earlier. Foreign exchange earnings from horticulture during the same period nearly doubled from \$76m in 1980 to \$139m in 1990. Exports are expected to rise by a further 12 per cent for 1991 with estimated earnings of \$157m.

Horticulture seems likely to overtake coffee as Kenya's third biggest foreign exchange earner (behind tourism and tea) if coffee prices remain depressed this year.

Much of the growth in horticulture has taken place in exports of fresh produce such as cut flowers, French beans, strawberries and pea. Fresh produce earned Kenya \$90m in 1990 up from \$31m a decade earlier. At least half of this figure has been made up of floral exports which have increased from 2,746 tonnes in 1975 to 14,365 tonnes in 1990. Agricultural experts say there is great potential for further growth in the sub-sector – there are less than 1,000 hectares under cultivation for flower exports and ideal climatic conditions. In spite of an average freight cost of \$1.20-\$1.40 a kilogramme Kenya retains a competitive advantage.

Britain and Germany have proved to be the main markets for Kenyan produce. There is a strong demand for fresh cut flowers in the Netherlands which re-exports the produce under Dutch labels. France has been a strong market for French green beans.

The success of the horticultural sector has primarily been due to the absence of excessive government regulation and controls and the presence of big, private Kenyan businessmen with political connections in the sector. Horticulture exports have benefited from Kenya's sensible depreciation of its currency and strong international prices.

The government has specifically recognised the mounting importance of horticulture to the Kenyan economy by granting some of the demands of producers – duties on aviation spirit were lowered, although by an insufficient amount, and the government abolished import duties on packaging materials – which had prevented Kenya packaging its produce competitively.

Opportunities for further expansion lie in taking advantage of the Sameer Industrial Park private sector export processing zone in Nairobi.

Constraints to further growth remain, primarily the limited availability of air freight space to Europe. Many of the European flights originate in South Africa and Kenyan produce has had to fight for space with southern African producers.

It is unclear whether this problem will improve or deteriorate when Kenya airways and South African Airways take up their monopoly of the Johannesburg-Nairobi route this April.

Bureaucratic regulations and controls implemented by the Horticultural Crops Development Authority and problems with the inefficient Kenya Airfreight Handling, which has a monopoly on handling cargo, has hampered growth. Another problem lies with the excessive valuation by Kenyan authorities of duty on air freighted imports which discourages charters because they cannot get a return southbound load. Delays in handling, high handling charges and insufficient liberalisation of cargo at the airport have restrained growth.

Horticulture has demonstrated that opportunities for growth in non-traditional exports do exist if the private sector is given a relatively free hand. If the government can iron out the few remaining obstacles to expansion horticulture is likely to continue growing giving the government an excellent source of foreign exchange and opportunities for job creation.

Julian Ozanne

■EXPORT ZONES: tempted by Mauritian miracle

The platform option

THE Mauritian miracle, based largely on the success of that island's export processing zone (EPZ), has encouraged Kenya to try the export platform option.

Two companies are exporting processed vegetables and packaging materials from the privately-operated Sameer Industrial Park in Nairobi, owned by Firestone East Africa. Phase I of the development comprises 12 production units, of which two are operational and another two – one to export machine components and the other rubber and leather goods – will come on stream soon. There are some 45 candidates for the remaining eight units, and Firestone plans to develop the second phase of the park.

The Kenyan government is establishing a state-operated EPZ at Athi River, 26km from Nairobi, funded by the World Bank. It will have 12 units and should be open for business by mid-1993, and a second phase will be developed by private sector operators. The African Development Bank is interested in financing a second government-owned estate, this time at the port of Mombasa, which would be ready in 1994, while the Commonwealth Development Corporation is considering developing a privately-owned EPZ alongside. At Nakuru, a Kenyan private developer has plans to create an EPZ and there are two more private proposals for estates at Thika and Nairobi.

The zones are outside the Kenyan exchange control system so that there are no restrictions on profit and dividend remittances. The organisers claim that Kenya is ideally located to penetrate regional markets, especially the 19-member Preferential Trade Area. There are no quotas on Kenyan exports of garments and textiles to North America or the EC, and there is abundant cheap labour, with unskilled workers being paid \$50 monthly.

Hopes are highest for exports of textiles, electronics, rubber and leather goods and furniture.

Some businessmen believe there is scope for fruitful co-operation with South Africa, saying that businessmen from the south are considering using Kenya as an "offshore" location both for the manufacture of exports to Third World countries and for processing products for reimport to South Africa. This strategy assumes that domestic South African production is going to be dislocated by industrial and political unrest and undermined by high labour costs.

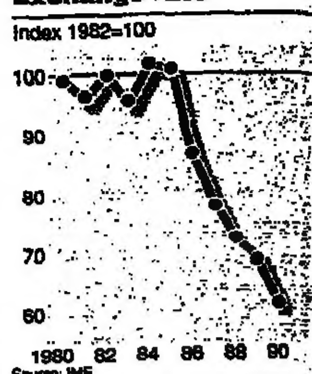
The EPZ programme expands and supplements the manufacturing-under-bond (Mub) scheme which has attracted more than 30 companies. In both cases all production must be for export, both schemes involve complete exemption of duties and enjoy different tax holiday arrangements. The main differences are that Mub is not confined to specific locations, and it is designed to foster processing of indigenous raw materials rather than imported ones, with an emphasis on agro-processing.

Mr Silas Ita, who chairs the EPZ authority, believes the two schemes will have a vital demonstration effect in the Kenyan economy.

If the EPZ succeeds in increasing non-traditional exports, it will demonstrate to sceptical old-school Kenyan civil servants that liberalisation is preferable to regulation and controls. On the private sector side, EPZ success would convince investors, local and foreign, that their scepticism about government policy is unjustified while at the same time developing the export culture that manufacturing industry needs so desperately.

Tony Hawkins

Exchange rate



Source: IMF

■PRIVATISATION: few concrete achievements

Draining the economy

SLOW PROGRESS in the privatisation programme is probably the chief criticism of the government's economic policy. Parastatal reform has been on the agenda since the late 1980s but concrete achievements are few. These include the sale of 30 per cent of the shares in the state-owned Kenya Commercial Bank, and measures to restructure Kenya Airways, including the retrenchment of 1,000 employees.

State-owned enterprise looms large in the Kenya economy, with an 11 per cent share of gross domestic product. There are 255 commercially-oriented enterprises, with the state having a majority shareholding in more than half of them.

The largest single activity is manufacturing, where the public sector accounts for about one-third of national output. Some 60 per cent of the parastatals are engaged in manufacturing and mining, especially food and beverages; 18 per cent in distribution, and 15 per cent in finance.

Average wages in parastatals are roughly twice the national average, though the national figure is biased downwards by low incomes in agriculture.

Productivity levels are estimated to be significantly lower in state-owned than in privately-owned businesses, implying that the country would benefit substantially from privatisation. The public sector is a drain on the economy in two other vital respects:

- Parastatal losses account for approximately 20 per cent of the budget deficit, while their borrowings make up 17 per cent of Kenya's foreign debt.
- Government borrowing to sustain state enterprise has contributed to rapid inflation and higher interest rates than would otherwise have been necessary.

Critics say the important weaknesses of the government's reform policy have been the absence both of a coherent overall strategy and of political commitment. This has changed.

In April last year the Cabinet approved a parastatal reform programme, and in the July budget, plans were announced to divest 139 state-owned companies while cutting back on financial support to the sector.

In mid-year, Maxwell Stamp consultants concluded a study of Kenya Posts and Telecommunications and will provide technical assistance for restructuring.

A high level Parastatal Reform Programme Committee (PRPC) has been created, and a new post at permanent secretary rank in the president's office to oversee parastatal reform.

At the Paris donor's meeting in December, the government tabled a detailed action plan of measures to be introduced during 1992 and provided a checklist of benchmarks against which they can measure the pace of reform.

Parastatals have been classified into three groups: strategic, non-strategic and regulatory.

Strategic enterprises such as Kenya Railways and the Ports Authority are being restructured with the aim of improving productivity. Non-strategic parastatals are to be divested "in an orderly and transparent manner".

Many of the latter could – indeed should – have been sold off already. One reason this has not happened is that they are owned by state-owned financial institutions, established as venture capital operations, but which have become conglomerate holding companies.

They are only too happy to have successful privately-managed companies in their portfolios to compensate for loss-makers.

In spite of this, the government says 32 investments have been divested or are in the process of being sold off, while 14 have been liquidated and 22 classified as "consistent loss makers on the verge of bankruptcy". Independent valuations are being prepared for a number of companies in which existing joint-venture partners have shown an interest in buying equity, including Eveready Batteries, Firestone and Grindlays Bank International.

Shares in 10 companies – including East Africa Oxygen, East African Portland Cement and BAT Development – are to be sold off through the Nairobi stock exchange by the end of the year, while competitive bids are to be sought for three other companies – Kenya Film, the Milling Corporation of Kenya and Kenya Cashew Nuts. Government shareholdings in a third list of nine enterprises, including CMB Packaging, East African Match and Grindlays Bank International, are to be sold following discussions with existing shareholders.

A good deal of the criticism of the pace of privatisation fails to take account of the familiar constraints that exist in a developing economy – a shallow capital market with a weak stock exchange; a reluctance to sell "the family jewels" to foreigners and, more specifically, to Kenyan Asians whose economic clout is resented.

The government action plan shows just how much highly technical preparatory work must be done before companies are sold off, and the skills just are not readily available.

Kenya, which has been such a haven for donors in the past, will become happy hunting ground for international consulting groups with expertise in corporate restructuring and privatisation.

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The coffee sector is under pressure while tea production increases

Crops bend to price fluctuations

COFFEE and tea continue to form the backbone of Kenya's merchandise exports and the bulk of cash income for smallholder farmers who are their main producers.

However, both crops are highly sensitive to international price fluctuations, conditions in other producing nations, the local incentives system given to farmers and political interference.

While Kenyan coffee and tea remain largely at the mercy of external developments, many of the pressing domestic reforms necessary to make the best of a poor international climate have either not been taken or have had to slog their way through the opposition of powerful vested interests.

Coffee, until 1987 Kenya's top export earner, has been severely hit. Production has slumped from 130,000 tonnes in 1987-88 to an estimated 75,000-90,000 tonnes for 1990-91. Foreign exchange earnings have fallen from $278m in 1989 to an estimated $140m for 1991.

Bad weather and a fall in international prices after the collapse of the price-supporting International Coffee Organisation have played a critical role in the decline of the Kenyan coffee industry. But serious mismanagement in the government and the state-run agencies involved in the coffee industry have contributed significantly to the coffee slump.

Tea growers are reaching out for further growth . . .

While coffee farmers are pruning output as prices fall

The government has been fairly candid about corruption in the industry.

An official report compiled last year said there was "chaotic mismanagement of financial affairs" in the state-run Kenya Planters Co-operative Union which processes coffee on behalf of farmers. It said that senior KPCU officials had obtained nearly Ksh70m ($2.5m) in unsecured loans while others had fraudulently received gifts of Mercedes-Benz cars.

The decline in coffee production has mostly taken place in the smallholder sector, which traditionally accounted for about 70 per cent of annual production.

Farmers have faced not only low international prices but also a hopelessly inefficient and tortuous payments system which gets money back to them as much as 18 months after crops have been delivered and after several unexplained and large deductions have been made by the various agencies between the producer and the marketing board.

The result has been that many small farmers have neglected their coffee trees, failed to apply fertiliser and pesticides and even gone as far as breaking the law by uprooting their trees and replacing them with other, more lucrative crops. Smallholder production fell from 85,000 tonnes in 1986 to 45,000 tonnes in 1990.

To improve incentives to farmers, the World Bank is lending Kenya $46.8m for a Second Coffee Improvement Project.

A primary aim of the project is to set up a much faster flowing payments system to the farmer, using a $10m revolving fund at the Co-operative Bank to cut out the lengthy and obscure cash flow, particularly by eliminating the role of the KPCU. The project aims to provide speedy loans to farmers to pay for vital inputs, such as fertilisers and fungicides.

However, for the past five months the KPCU has been fighting a rearguard action to sabotage the project and maintain its financial hold over the industry. As vested interests have threatened its reforms, the government has appeared a helpless spectator.

Falling international prices have exposed the inefficiencies of the coffee industry. In tea, however, Kenya has been able to exploit strengthening world prices and strong demand for its quality tea.

The closure of plantations and processing plants in Assam, because of terrorist activity, and the poor levels of production in Sri Lanka, are likely to lift Kenyan tea even further.

Agricultural exports ($m)

	Coffee	Tea	Horticulture
1970	62.3	37.0	13.4
1975	95.9	62.5	36.8
1980	291.6	156.3	76.1
1985	280.7	233.0	77.2
1986	478.8	213.0	96.8
1987	236.5	198.5	118.4
1988	275.8	208.9	142.6
1989	198.2	264.3	123.9
1990	191.0	273.0	139.0

Source: Kenya government

Tea production has been steadily increasing with estimates for 1991 at just above 200,000 tonnes. In 1989, tea overtook coffee as the second biggest earner of foreign exchange, winning Kenya $264.3m. Tea earnings for 1990 were $273m.

The government is pursuing an aggressive expansion of planted tea acreage with a goal to produce 300,000 tonnes by the end of the century.

Present indicators suggest that is an achievable target. But the problems which plague the coffee industry also undermine that goal for tea.

The first problem is the rise in fertiliser prices, its uncertain availability at critical times and the lack of financial credit for small-scale farmers to buy the necessary inputs.

Mr Eliud Mahihu, chairman of the Tea Board of Kenya, has said that the misuse of funds collected from levies imposed on farmers, which are supposed to go toward improving tea access roads, could affect the steady growth in production. He has alleged that Ksh90m collected by local authorities from tea farmers in 1990 was misappropriated.

Foreign exchange earnings and agricultural incomes from coffee and tea will continue to be vital to future economic growth.

However, if the Kenyan authorities are to give encouragement to expanding tea production and save coffee from spiralling into crisis, the reforms which the government has articulated need to be implemented more swiftly and with greater disregard for vested interests.

Julian Ozanne

■AGRICULTURE: government must grasp the nettle of reform

Vested interests stall growth

WITH A rapidly expanding population, desperate shortage of arable land and an unsustainable rural-urban drift the importance of Kenya's agricultural sector to the economy and to increasing standards of living has never been more important.

Yet in spite of the generous flow of foreign aid to Kenyan agriculture the government still appears to have failed to have grasped the three fundamental policy reforms necessary to increase agricultural growth by more than 3.5 per cent per year. These are; price and trade liberalisation, rolling back excessive government interference in marketing and creating a payments system which will provide greater incentives to smallholder farmers to increase yields by applying fertiliser.

The signs of the government's failure in agriculture are apparent. In 1992, for example, Kenya will have to import at least 5m bags of its annual maize requirement of about 30m-31m bags, the main food staple. Although maize production has been hit by bad weather in 1989 and 1990, inadequate government reforms have meant that for the first time in several years maize will join wheat and sugar as deficit crops. A poor policy environment, combined with a slump in world prices, has also severely affected smallholder production of coffee.

The government continues to articulate the ambition of food self-sufficiency for a land-hungry population of 27m people growing at about 3.6 per cent a year. Wheat will always be difficult, with the government having to import about half of the annual demand of about 440,000 tonnes but there is no real reason why Kenya should not be able to produce enough maize and sugar to meet domestic demand.

The recent changes needed in agriculture were first identified by the government in the mid-1980s and were followed up by an Agriculture Sector Adjustment Operation, funded by the World Bank. The problems of maize production and marketing and reducing the suffocating role of the state-run National Cereals and Produce Board were high on the reform agenda. Next year's import needs of maize are a clear sign that the reforms identified have only been addressed half-heartedly. It has once again revealed that a powerful alliance of vested interests, both private sector merchants and public sector bureaucrats, continue to frustrate the goals outlined by government.

Agriculture continues to play a pivotal role in the country accounting for 30 per cent of gross domestic product, 70 per cent of employment, and 60 per cent of the foreign exchange earnt from merchandise exports. Smallholder farmers (less than 10 acres) are the dominant part of production, combining subsistence food crop and livestock production with varying amounts of cash crops.

Throughout the 1980s the average rate of agricultural growth was 3.5 per cent a year – not enough to keep pace with population which grew about 4 per cent a year in that decade. With only 18 per cent of Kenya's land judged to be of high or medium potential, prospects for further growth depend on increasing crop yield. The World Bank estimates that yields of crops and livestock could be doubled with progressive farming techniques. With a better policy environment exports of coffee, tea, horticulture, milk and beans could be increased.

The constraints to growth in agriculture are; poor price incentives, delayed payments by government marketing boards, low use of yield increasing inputs such as fertiliser, the suffocating role played by government in marketing and inadequate availability of financing to smallholder farmers.

Progress was made between 1986-88 under the first agriculture adjustment operation in increasing producer prices and beginning the deregulation of maize and beef marketing. But the government showed poor commitment to a fundamental overhaul of NCPB and other parastatals, the removal of supply constraints on fertiliser availability and a critical examination of public sector investments in agriculture. Grain marketing and the role of NCPB became the main thorns in the side of international donors.

These last policy objectives have become the focus of the ongoing Second Agricultural Sector Adjustment Operation signed with the World Bank in late 1990 and funded by a bank loan of $75m with additional financing from bilateral donors and the African Development Bank.

This two-year operation has two main aims. First, to improve maize producer incentives through prompt payments to farmers, increase efficiency of maize marketing by abolishing controls on the movement of maize and to reduce the role of the NCPB and therefore its budgetary burden. The second is to increase the timely availability of fertiliser at lower costs. According to the bank, to achieve an agricultural growth rate of over 4 per cent per year, fertiliser consumption must increase at an estimated rate of 11 per cent per year.

In addition, the bank and other donors are involved in reforms of the coffee payments system to farmers and restructuring of the cotton and sugar industries.

In the maize sub-sector the government has made some reforms – it wrote off NCPB's Ksh5bn debt, closed down over 400 NCPB buying centres, slashed the staffing levels of the board and began the phased liberalisation of trade and movement of maize across district boundaries. But in the face of concerted pressure from vested interests the government recently retracted some of the progress on movement of maize, cancelled the provision to allow free movement of 90 bags (eight tonnes) and revoked licences given to private traders. This backtracking has put in jeopardy the disbursement of the second tranche of the loan. "The NCPB is fighting for its life," said one western donor. "It does not want to go down and it is fighting to the bitter end."

The influence of vested interests in the private sector is much more apparent in wheat and sugar. In 1990, private traders were allowed to import 300,000 tonnes of wheat – above the import needs of about 220,000 tonnes. Much of the imports came from Saudi Arabia where wheat is heavily subsidised. Large profits were made by private traders exploiting the difference between the world market price of about $130 a tonne and the controlled Kenyan price of about $230 a tonne. The British government complained about the opportunities for corruption and absurd profits from private imports and wheat farmers said they were being driven out.

In sugar, private traders have made large profits. Kenya should be self-sufficient in sugar but the price incentives for growers and processors are inadequate to guarantee supply. Of the five sugar processing factories in which the government has a majority share holding only one makes a profit on more than 200,000 tonnes of output. Much sugar production is smuggled across the border into Uganda with the involvement of senior government officials.

Like many other sectors of the economy agriculture continues to suffer from a lack of real commitment to the necessary policy reforms and poor government implementation capacity. The worrying signs of food insecurity should encourage the government to grasp the nettle of reform and combat the powerful vested interests who are doing so much to hold back agricultural growth.

J.O.

■TOURISM: from potential disaster to mild success

Strategies for all seasons

THE worldwide downturn in tourism last year, fuelled by the Gulf crisis, the international economic recession and the escalating costs of air travel, has proved a watershed in Kenya.

Kenya's dynamic tourism industry, although faced by the prospect of a severe loss of jobs and hard currency in what is its biggest foreign exchange earning sector, has turned 1991 from being a potential disaster into a mild success.

The private sector and the government, with cancellations running at up to 60 per cent for the peak season of January to March, rallied with a series of measures.

The boldest move by government was the decision to open up Kenya to South African tourists, several months before the October Commonwealth head of government conference in Harare. Visas, previously denied to South Africans, were granted at the airport and an agreement was reached to allow South African Airways and Kenya Airways to operate one flight each a week between Nairobi and Johannesburg.

The government also gave new incentives to the hotel training college, established an autonomous airports authority and started the rehabilitation of Nairobi's international airport and continued to strengthen the newly-created Kenya Wildlife Service, a semi-autonomous parastatal in charge of security and management in Kenya's national parks.

The private sector moved quickly, reducing rates and increasing charter flights, particularly from Spain and Britain. In August and September there were 42 such flights a week arriving in Kenya, each with about 200 seats, in addition to scheduled flights.

These measures appear to have averted a slump in tourist arrivals which in 1990 nearly reached 900,000 people, while foreign exchange earnings last year should approach the 1990 level of $467m.

Sustaining the remarkable growth which Kenya's tourist sector has enjoyed since independence will not be easy.

Since 1963 the numbers of visitors a year have increased from 110,000 to 889,000 in 1990 and foreign exchange earnings in the same period have mushroomed from $25m to $467m. In 1987, tourism overtook coffee as the country's number one foreign exchange earner.

Tourism Profile

	Total receipts ($m)	Total visitors	Aver. length of stay (days)
1965	30.2	147,400	9.3
1970	51.8	326,500	8.8
1980	222.4	362,700	15.7
1985	239.8	541,200	15.9
1987	354.9	662,100	16.0
1988	393.3	676,900	16.0
1989	417.0	729,700	14.2
1990	467.0 (est)	889,000 (est)	na

Source: Ministry of Tourism

The impact on the rest of the economy has been vast. Throughout the last decade employment in the sector has grown by at least 5 per cent a year and tourism has contributed to the expansion of the services sector – hotels, restaurants, road and air transport – and to allied industries such as construction and food. Much of the rapid growth in tourism in the past quarter of a century has been due to declining costs of air travel and the extensive infrastructure which was in place at independence.

The government has created a reasonably attractive enabling environment through welcoming foreign investment in tourism, the development of infrastructure and the maintenance of relative political stability. Increasing importance has been given to conservation and better animal management and while the national parks and reserves sector was marred by a long period of poaching and inefficiency between 1976-88 it has become a top priority.

However, with mounting regional competition and the demands of the growing population a much greater effort is required. In order to continue generating jobs and increasing critical foreign exchange earnings the government has recognised the need to creat a better environment.

Mr Philemon Mwaisaka, permanent secretary in the Ministry of Tourism, says the government is targeting two key areas for growth over the next three years: diversifying the type of tourism available and drawing in visitors from new markets.

Diversification away from game parks and beaches will depend on giving greater importance to attractions such as cultural, conference and speciality tourism, scuba diving, fishing or mountaineering, and opening up new areas of Kenya to tourist development such as the volcanic desert around Lake Turkana.

Attracting visitors from outside the traditional markets of the US and Europe will require a big publicity drive in the Asia Pacific area, particularly Japan and Singapore.

In order to realise both ambitions a overhaul of Kenya's hitherto weak overseas marketing is necessary. So far the government has been content to leave most of the marketing to the private sector. Unlike many other countries Kenya does not have an autonomous tourist board. Between 1986 and 1990 the government spent a mere $25m on marketing.

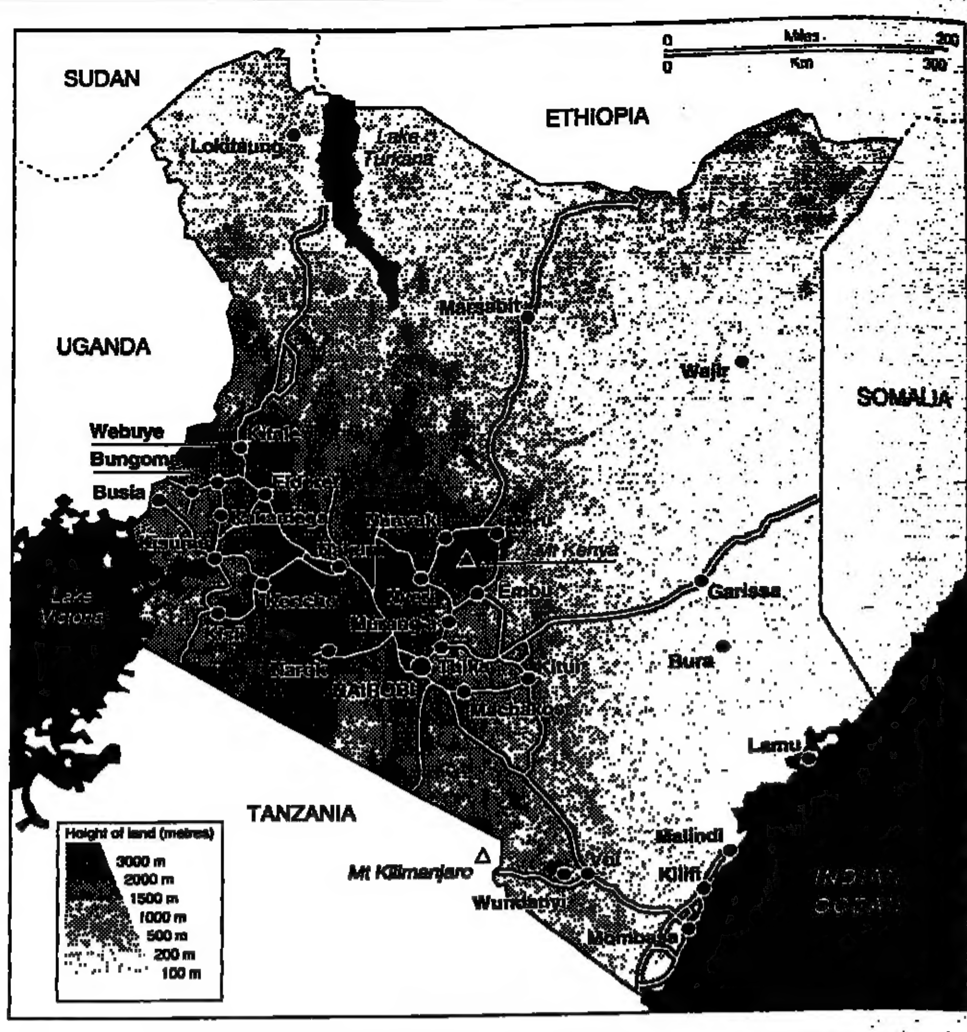
Kenya's well organised private sector has been lobbying hard for a tourist board to be set up under an autonomous director to launch a concerted marketing campaign of research, information gathering and publicity to enable the industry to better tailor and target their products in a competitive market. The government has given its blessing to the appeal but progress appears slow.

Good marketing and closer links with airlines will be vital to attract the high income from the choosy Japanese market.

Plans for Kenya Airways to open up a route to Bangkok next year may prove insufficient to penetrate Asia and South Africa is proving a formidable competitor with Singapore Airlines operating a flight to Johannesburg.

A number of issues need the government's urgent attention. Problem areas include privatisation of government share holdings in hotels, developing a strategy for high income VIP tourism, planning how to cope with the growing demand for combination tourism with tourists visiting at least two African countries, better harmonisation of visa and health requirements and more incentives, such as import duty exemption on vehicles for the tourist sector.

Julian Ozanne



KIWAYU

Coping with tranquillity

THE Air Kenya twin-engined aircraft banked smoothly, passing over the mangrove swamps and pygmy palms which sprawl along Kenya's northern Indian Ocean coastline. It headed towards what appeared to be a small sandy clearing in the scrubland and then suddenly alighted, coming to a sharp stop at the end of a narrow airstrip.

Waiting in the warm breeze by the side of a makeshift shady lean-to was an open jeep, watched over by a tall Kenyan in a sarong, a G3 automatic rifle slung over his shoulder.

For the four passengers who disembarked, this welcome to Kiwayu, one of Kenya's most splendid and exclusive beach resorts, was both unexpected and unnerving. Seclusion is what Kiwayu – inaccessible by road and serviced by irregular flights – is all about.

To the south lies the belt of hotels catering mainly for the package holiday visitor, lured by keen prices, modern amenities and cheap curios.

Kiwayu, at the other end of the market, has fought to preserve its solitude and its Robinson Crusoe atmosphere while ensuring that its guests receive all the creature comforts of a fine hotel.

Balmy monsoon winds blowing down from Arabia roll in across the tropical, azure Indian ocean in front of the camp. With the fragrant breeze comes rough-hewn fishing boats and Arab dhows, their frail, dirty white sails fluttering in the wind, laden down with spices to sell along the ancient trade routes of the African coastline.

The camp is a stone's throw away from a scrubland where buffalo and antelope abound. At night, the deep gruff sound of a lion can be heard above the murmur of the surf and occasionally one of the big cats can be seen basking in the sunlight on the beach.

Elephants, which used to come down through the mangrove swamps, have suffered from the poaching of Somali bandits, known locally as *shifta*.

"Trying to get back to nature," is how Mr Alfredo Pellizoli one of the partners of Kiwayu camp describes the 25 *bandas* (beach huts) set in a wide bay on an expansive, sun-bleached, unspoiled white sandy beach.

The *bandas* are the essence of the castaway image that Kiwayu has cultivated. Each is thatched with coconut leaf and the walls are covered in raffia matting. There are no doors and no locks, just mats which unroll to give visitors privacy from the few local fishermen walking along the beach. Basic plumbing, showers and flush toilets have been installed but, one suspects, with the reluctance of the proprietors of the camp.

Fresh seafood is standard Kiwayu fare – huge prawns, lobster and crab caught locally and bought each day in the fishing villages which dot the area around the site. All other produce has to be flown in when there are new arrivals at the camp.

"In the past at Kiwayu," Mr Pellizoli recalls, "it was possible to shoot an elephant in the morning on the beach and catch a huge marlin in the sea the afternoon." Today, hunting is banned and elephants run shy, but guests at Kiwayu can at least still take advantage of Kenya's terrific big game fishing for marlin, sailfish and tuna. More leisurely activities of wind surfing, water-skiing and day excursions by speedboat along the coast are available.

For most visitors, Kiwayu provides a rare opportunity to walk along a deserted beach at night with crabs scuttling across the sand, the moon shimmering across the bay and only the African night-time sounds of crickets to break the silence.

Most guests stay several days. A few, unable to cope with the tranquillity hard to find in the western world, leave early. According to Mr Pellizoli, they find "Kiwayu is something beyond their comprehension". For the rest of us, this is part of Kiwayu's charm.

J.O.

KEY FACTS

Area	582,644 sq km
Population	24.03m (mid-1990 estimate)
Head of State	President Daniel arap Moi
Currency	20 Kenyan shillings = K£1
Average Exchange Rate	Latest $1 = Ksh28.13

ECONOMY

	1990	1991
Total GDP ($bn)	8.35	na
Real GDP growth (%)	4.5	4.0*
GDP per capita ($)	347	na
Consumer prices (%change pa)	12.6	20.0*
Gross external debt ($bn)	5.69	6.63
Debt service ratio (%)	29.5	25.0*
Current account balance ($m)	-488.4	-425.6
Exports ($m)	1,010.5	1,078.0
Imports ($m)	2,008.7	2,200.0
Main trading partners (1990 %)	Exports	Imports
UK	17.5	18.0
Germany	12.2	8.1
United Arab Emirates	0.3	13.0
Japan	1.2	9.0
US	4.9	5.2
EC	45.4	38.8

*Estimate
1991 figures are the first three quarters at an annual rate

Source: IMF, Datastream, Economist Intelligence Unit

KENYA: FOR FULFILMENT AND MEMORY OF AN EXCEPTIONAL HOLIDAY EXPERIENCE.

1 Western Kenya is a tourist circuit not yet well patronised, yet for variety, it contains much of interest. The roads are better than in most other areas. Enclosed between three ranges of hills, the Lambwe valley is such an attraction. Three unusual antelopes may be seen with ease; Roan, the rare Jackson's hartebeest and the oribi. Leopard is easy to spot, it is the only large predator. There are three breeding colonies for heron, ibis and pelican. Each year, hundreds of nesting pairs of many species gather here and create a bird spectacle which, in terms of activity and behaviour, is one of the most rewarding sites in Kenya for ornithologists.
The Kakamega Forest is the only forest in Kenya which is West African in character and its flora and fauna are of immense interest to scientists and naturalists. Species such as Great Blue Turaco, Grey Parrot, Joyful Greenbul and Blue-headed Bee-eater are found. Butterflies are abundant and a delight as they flit amongst the great trees. North of Kakamega is the heart of the magnificent farming country of Trans-Nzoia. Kitale National Museum near Endebes is developing fast and Kitale is a base for Mount Elgon Tours and Saiswa Cherangani Hills excursions.
Western Kenya provides a rich tourist circuit and accommodation in fairly comfortable and well spread out.

2 Samburu and Buffalo Springs provide a different face of Africa in the hot semi-arid desert area before the true desert stretches away to the north. It is a favourite with many a returning visitor to Kenya. It contains a number of wildlife species rarely found elsewhere including the grey zebra, the reticulated giraffe, and the shy, long-necked gerenuk, (the antelope giraffe), rarely found elsewhere in Kenya.
Meru contains the widest range of mountain landscapes and wildlife habitats and was home to Elsa, the lioness, whose story was told in the book and subsequent film, Born Free. With its forest, swamp and savannah and its fifteen permanent rivers, Meru contains a great variety of wildlife, some in huge quantities and includes all the Big Five - elephant, rhino, buffalo, lion and leopard.
The Great Rift Valley, one of the wonders of the world, contains the planet's largest concentration of flamingoes, seven great lakes in Kenya, and overwhelming dramatic scenery. Close to Lake Nakuru, in the Nakuru National Park, is the first black rhino sanctuary constructed as part of the government plan to save the rhino from extinction. At Lake Nakuru more than a million pink flamingoes can be seen feeding on the abundant algae. A few miles north of Nakuru are the hot springs of Lake Bogoria, described by an early explorer as having "the most beautiful view in Africa".
North from Bogoria lies Lake Baringo where over 400 species of birds have been identified, while further north still is Lake Turkana, the Jade Sea. On the shores of the lake, at Koobi Fora, the earliest fossil remains of man have been discovered. This has led to Kenya being known as the "Cradle of Mankind". In the lake itself can be found the Great Nile Perch, the fierce Tiger fish and the world's largest single concentration of crocodile. Close to Nairobi, at the southern end, is Lake Naivasha, the highest - and purest of the Rift Valley lakes with a teaming birdlife and resident population of hippo. Naivasha is a fertile area where a wide variety of horticultural produce is grown for export and where three of the country's newly developed vineyards are to be found.

3 The Peaks of Mt. Kenya, second highest mountain in the whole of Africa, dominate the fertile countryside that runs north from Nairobi. Its slopes, and those of the nearby Aberdare mountains, provide beautiful settings for one of Kenya's major contributions to the world of tourism, the tree hotels. Mountain Lodge, Treetops and The Ark are all set in mountain jungle and provide the perfect opportunity to view the wildlife in close-up.Elephant, rhino, buffalo, giant forest hog, antelope and many other species can be watched from comfortable verandahs and camera positions as they come out of the forests to enjoy the salt lick.
Close by are the Outspan Hotel and Aberdare Country Club, each set amongst lawns bordered with luxurious, brightly coloured tropical flowers and trees. Just a few miles further on is the Naro Moro River Lodge, a base for climbing Mt. Kenya or to fly-fish for trout in the mountain streams. Also on the slopes of Mt. Kenya is the world-famous Mt. Kenya Safari Club, the ultimate in luxury living in an awe-inspiring setting with a backdrop of some of Africa's highest peaks. The club offers facilities that include a large heated swimming pool, horse-back riding and a fine golf-course. Synonymous with "luxury off the beaten track", Sweet Waters is a tented camp set in the 22,000 acre rhino sanctuary on Ol Pajeta Ranch. There are both day and night game drives and camel rides.

4 Nowhere in Africa is wildlife more plentiful than in the Masai Mara. It is fabled for its great concentrations of gazelle and antelope and their natural predators the big cats. The Mara is also famous for its prides of black-maned lion, cheetah and even the elusive leopard. Mara provides one of nature's most dramatic spectacles, unrivalled in the world, annual migration of over a million wildebeeste and zebras looking for fresh pastures. Mara has been described as "Hollywood's idea of Africa at its best". For the visitor, his temporary home is one of a wide variety of tented camps or game lodges offering the finest in food and comfort after a day spent viewing the wondrous wealth of game and birdlife.
For those wanting more rarefied game viewing, many of the lodges and camps provide a balloon safari - another Kenyan innovation. Rising above the Mara plains with the morning mist, the visitor can drift over the game for an hour or more to be met on landing with a sumptuous champagne breakfast.

5 Amboseli in the heartland of Masai country lies in the shadow of the fabled Mt. Kilimanjaro. It was the favourite safari area for writers such as Hemingway and Ruark searching for the basis of the novels about big game.
The snows of Kilimanjaro form the backdrop to one of Kenya's most spectacular displays of wildlife - lion, elephant, rhino, cheetah, buffalo and a lot of plains game. Part of the park is composed of a dried-up lake bed which produces mirages in the shimmering heat. Swamps and springs fed by the underground rivers of Kilimanjaro's melting snows form permanent watering places for wildlife.
All around Amboseli are the Manyatta villages - home of Masai, the tall proud nomadic people whose legendary powers in battle and in acts of single-handed bravery in fights with wild animals has spread across the world.
As with so many of Kenya's national parks - Amboseli is well served with comfortable lodges, expert guides and ample game viewing vehicles, with pop-up roofs ideal, safe and comfortable for photographers.

6 The combined area of Tsavo East and West National parks makes Tsavo one of the world's largest game sanctuaries, larger in size than Wales or Jamaica. It covers more than 20,000 sq.Km.. (7720 Sq. mls.) and lies roughly halfway between Nairobi and Mombasa, making it a logical choice for those wanting the wonders of safari and the magic of the Kenya Coast.
More than 20,000 Km. of well-maintained and well-signposted roads leading from one natural wonder to the next. Chief amongst these is Mzima Springs, replenished each day with twenty million litres of crystal clear water bubbling up from underground streams coming from the nearby Chyulu Hills. The Springs form a haven for a rich variety of wildlife. Elephant, hippo and crocodile enjoy the water while gazelles, zebra and giraffe wander on the banks.
An observation platform and an underwater glass-walled tank allow the visitor to watch the whole natural life of the Spring in either environment.
Tsavo's wildlife is prolific and as well as some of the lesser known species, includes many lion - some, undoubtedly, descended from the famous 'Man Eaters of Tsavo' encountered during the historical building of the railway from Mombasa to Nairobi.

7 Arguably Kenya's 400 mile coastline provides the visitor with more attractions than any other coastline in the world - and the accommodation and general infrastructure to go with it. Protected throughout its length by coral reefs, the Kenyan coastline is famed for its glorious palm-fringed beaches. Beside the sea there is something for everyone from relaxing on the beach or beside the pool to windsurfing, waterskiing, sailing, scuba-diving and big-game fishing.
Along the coast are the sophisticated, international, exciting, souvenir shops. Unique to East Africa's coast are the romantic reminders of the mixing of great cultures, African, Arabic and European, in the shape of mosques, tombs, forts and settlements. They stretch the length of the coast from the great trading port of Mombasa in the south to Kenya's Katmandu, Lamu, in the north. Unique to Kenya's coast is the proximity of wildlife parks and reserves. The Shimba Hills are a cool refuge from the beach where sable, buffalo and elephant can all be seen. It is possible to visit Tsavo East National Park and return within a day, and there are one day safari s to Amboseli and Tsavo West.
Mombasa is linked directly to the outside world through the modern Moi International Airport which also handles the frequent flights to Nairobi and up the coast of Malindi and Lamu. For those who enjoy the romance of the railways, two overnight sleepers leave each evening for Nairobi.

For further information please write to:
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Kenya has been described as having everything that is beautiful in Africa; abundant wildlife and birdlife living free: hospitable people; a culture that is both complex and fascinating; and outstanding scenic beauty, from majestic highlands to over five hundred kilometres of white sandy beaches along Kenya's Indian Ocean Coast.

The quality and quantity of Kenya's tourist circuits are so great that visitors can return year after year and still find new sights to see.

Kenya has become increasingly popular as both a winter and summer holiday destination due, in part, to the unique double attraction of the great variety of wildlife and the Indian Ocean coast. Kenya can also claim a higher proportion than most destinations of visitors returning year after year.

Specialist holidays of all kinds are catered for - from camel safaris in Samburu Land, through walking safaris for ornithologists, to mountaineering on Mt. Kenya and sports from golfing to big game fishing. Conference organisers can use Nairobi's Kenyatta International Conference Centre with seating for up to 5,000 or the many exotic conference locations which are either surrounded by wildlife or on the luxuriant Indian Ocean Coast.

For the tourist and businessman with time to spare all the travel amenities are there. Fast modern roads link one natural wonder to another and each is amply provided for with hotels, game lodges and tented camps. All accommodation is graded with one to five star ratings classifications of all hotels and lodges. Most parks and reserves are easily accessible - and for foretaste of great game viewing Nairobi Game Park is less than 15 miles from the City centre.

Kenya is a golden destination for the incentive groups. Participating executives are highly motivated to attain exceptional levels of achievement in their places of work or education; by the fulfilment and memory of an exceptional holiday experience after returning from an incentive tour of Kenya. Corporate clients have a great variety of holiday opportunities in Kenya any time of the year.

Most Credit Cards are accepted for accommodation in the restaurants and shops in the major towns and at the coast. Transport is available, from hire cars to coaches and luxury minibuses; from scheduled air services to the most sophisticated air charter network outside North America; it even includes one of the world's most romantic train journeys, between Nairobi and Mombasa. On arrival or on departure, welcome to the world of Kenya Duty Free where a new concept of creating large duty free shops at both departure, and arrival areas has been tested.

While in Kenya, the visitor has now an opportunity to enjoy the scenery of our coastline as admired from the comfort of luxury cruise ships. (An exciting sea voyage along this most beautiful stretch of the Indian Ocean coastline is a reality now that Mombasa has home-based cruise ships). The romance of a cruise awaits you in Kenya.

Kenya is within easy reach. There are regular daily flight services from Mombasa and Nairobi to most European capitals with onward connections to most parts of the world. Kenya is a 365 days all year round holiday destination and a holiday spent in Kenya is one of the most rewarding travel experiences of a lifetime. Kenya overwhelms all who visit her. Above all, a Kenya holiday is for all seasons.

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